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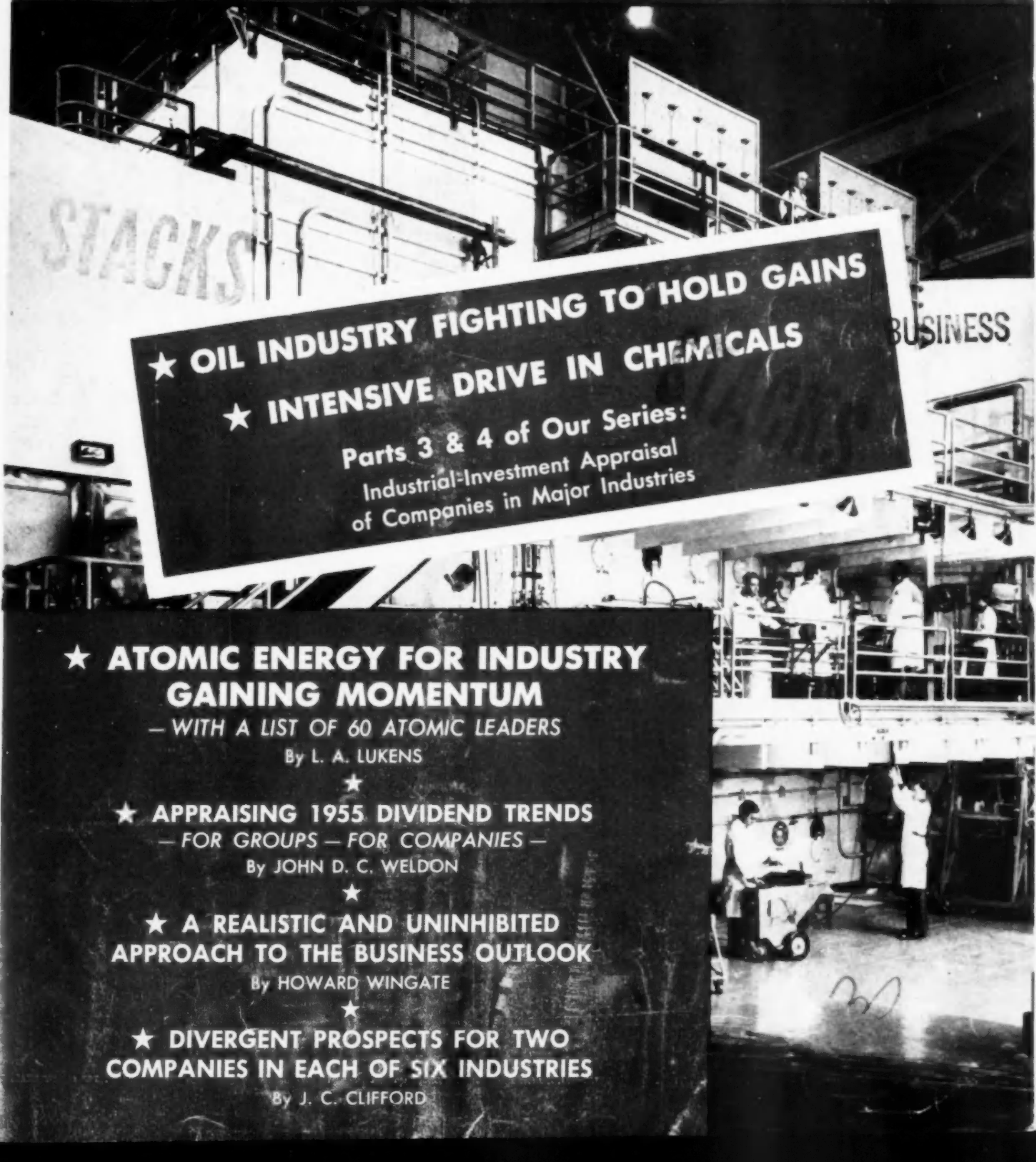

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THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. D. KING, *Managing Editor*

The Trend of Events

A GREAT FIGURE RETIRES . . . The retirement of Sir Winston Churchill as British Prime Minister was long heralded. In fact, the actual reins of government have, for some time, been slipping to the younger Tory leaders—Sir Anthony Eden, the new Prime Minister, R. A. Butler, Chancellor of the Exchequer, Harold Macmillan, the new Foreign Minister and Selwyn Lloyd, the new Defense Minister.

With far-seeing vision, the leaders of the Conservative party, with the full consent and cooperation of Sir Winston, have prepared for the day when the old warrior would step down in order that the transition in government be as smooth as possible. This has now been effected. Accordingly, it may be expected that the major foreign and domestic policies of the Conservative party, under which the country was governed since the last elections, will remain unchanged. The party, therefore, is in a position to go before the electorate in the forthcoming elections with a strong claim for support on the basis of a well-defined and well-administered program with which the people are entirely familiar and with which the majority presumably are in sympathy.

In consideration of the undoubted accomplishments of the Conservative government, under the leadership of Churchill, which has lifted Britain to a point of genuine prosperity and well-being, and in view of the intra-mural conflict now weakening the Labour party, it would seem that the Conservatives are in an excellent position to retain power for the next five years.

From the American standpoint, this would amount to an important accretion of power in the international arena, particularly in view of the likelihood that a Four-Power Conference will be arranged within a few months. With the Conservative party in power in Britain, there is little question that the American representatives at a Four-Power Conference would be in much stronger position vis-a-vis the Soviets than if Britain were led by the Labour party.

Perhaps, not the least contribution that Churchill has made to his country and to the world is that he leaves office without having sacrificed principle to political expediency. In a world in which politics has been reduced to the shabby maneuverings of petty men who are playing with the future of hundreds of millions of human beings, Churchill stands out as a heroic figure of genuine patriotism. The world will long owe him much as a supreme example of unflinching loyalty to imperishable human ideals.

NO MORE INFLATION? . . . Outside of the possibility of getting into another war, no topic is of such engrossing interest to the average American as the cost of living. What he wants, and needs, above all is a stable price level. Hence, it is of the utmost significance that for the past three years the dollar has held its own. In terms of purchasing value, the dollar has remained at the 52-cent level since the middle of 1952, thus ending the long downward slide which started in 1946.

While the national budget still is out of balance and the

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

government itself is not too certain as to the precise nature of its coming financial policies, we have, nevertheless, plenty of reason to believe that the basic causes which led to the post-War II and the post-Korean inflation have disappeared and that the American economy now rests on a reasonably solid price base. Furthermore, while price conditions abroad, especially in Western Europe, have by no means reached a point of equilibrium, there is evidence that the wildly inflationary trends of the post-war period, which afflicted these regions, are slowly disappearing.

From the investor's viewpoint, the prospect of a stable price level is of paramount importance for it enhances the value of interest from bonds and dividends from stocks. Furthermore, a stable price level will permit investors to arrive at a sounder appraisal of the relationship between the prices of bonds and stocks which will no longer be distorted, as formerly, by the effects of inflation. In other words, the yields on bonds and stocks will have a significance not possible in a period of wildly fluctuating general prices and savings, in general, will attain a greater value with respect to purchasing power.

From the economic viewpoint, a stable price level is of highest importance as it affords industry and business a better opportunity to calculate its costs of operation and, therefore, the prices at which it can sell profitably. Therefore, large mark-ups or write-downs, caused in the past by erratic price fluctuations, should tend to disappear and thus make business profit statements and balance sheets more realistic and, from the investor's viewpoint, more dependable.

It is only recently that it could be said with some justice that the American price level has approached a real degree of stability. Consequently, there has not been time as yet to obtain the full benefits. This will come as confidence in the value of the dollar is fully restored.

EUROPE MAKES GAINS . . . The sixth annual report of the Organization for European Economic Cooperation, just published, shows the extent of economic progress in West Europe since the beginning of the Marshall Plan in 1947. Among other significant data is the 50% increase in industrial output between 1938 and 1954, with agricultural output 30% greater. Consumption per capita lagged behind these gains but by the end of 1954 was 12% higher than in 1938. This latter figure is still unimpressive compared with a 45% gain in the United States during the same period.

Despite the undoubted economic progress of the 17 nations comprising West Europe, there are still very large problems to be solved, principally with reference to increasing the rate of productivity; the development of backward areas notably in the southern portions of Europe, a tier which extends along the north shore of the Mediterranean, virtually without a break from Spain to Turkey; and convertibility of currencies which still awaits fulfillment and which, at this writing, seems some distance off.

Giving due consideration to these defects, however, it is undoubted that West Europe has finally reached a point of relative economic stability. From that standpoint, pleas of various nations for tariff relief from the United States do not seem in context with the current improved position of these countries.

CHANGING THE RULES . . . It seems now that the changes in rules for charging off accruing expenses which were altered in 1953, will be changed back to their pre-form status by a bill now before Congress. It is almost certain that this hasty action will prove to be unwise.

Secretary Humphrey has given so many examples of his courage and his good sense in resisting injurious but popular proposals, that it is hard to accuse him of yielding to the clamor of the self-suspected friends of the poor who infest both houses of Congress. What is much more likely is that this honest man has become disgusted with some of the things some sharp practitioners are doing under the cloak of the change in accrual rates. Thus he would sweep out the whole reform to punish the shysters.

The central point to be borne in mind is that the reforms were not quickly adopted. They had the sanction of accountants, and still have. After all, accrual is only a means of reaching a total. Taxation is not going out of fashion in this country all of a sudden; taxes that aren't paid this year, if they are legitimately owed, will certainly be on the bill for next year or the year after. Let us, above all, do what is right.

As a practical matter, the new accrual clause was treated in three ways by its intended beneficiaries. Some took advantage of the new rules to bring their reported earnings into line with what their accountants, and sometimes their annual reports, had noted as real earnings for several years past. Others, as their comptrollers frankly said, regarded the new rules as too good to be true, and made no changes in their accounting. The third consisted of the greedy minority which has so vexed Secretary Humphrey.

It is to be hoped that some way will be found to curb the shysters without junking the reform.

POTENTIALS OF ECONOMIC GROWTH THROUGH POPULATION RISE . . . By 1965, the population of the United States will be 190 million, an increase of 25 million over the present. This increase will turn the current gross national product of $365 billion into the colossal figure of $535 billion, according to government estimates. Stripped down to its essentials, this means that, barring a war, the United States is on the threshold of the greatest prosperity in the history of any nation.

We should not wish to infer, of course, that this brilliant prospect cannot be dimmed from time to time by the inevitable adjustments that take place in our economy but from the viewpoint of the possibilities by the end of the next decade, the outlook seems clear enough.

In the face of the pressure from a rapidly growing population, it seems likely that the pattern of consumer spending and saving will change and that the ratio of personal savings to disposable personal income may decline to a quite moderate figure. In recent years, it has ranged from 8% to 6% and is more likely to hover around the lower than the higher figure. This means proportionately less saving and more spending. Population pressures are also operating upon government, *(Please turn to page 140)*

As I See It!

By JOHN CORDELLI

IT'S NOT WHAT IT SEEMS

NEW CLUB MEMBERS FROM THE PROVINCES

Loring, in the Providence Evening Bulletin

If one should take a close look at the Soviet economy, it would not be too difficult to arrive at the conclusion that the system of rigidly planned economy, which has been in force in Russia for the past thirty-seven years, has been and continues to be a monumental failure. Ostensibly, the program, as laid down by Lenin, to free the toiler from "bondage to capitalist exploiters," has turned into a ferocious system of serfdom to the State. But even in its own terms, it is highly inefficient. Not only has it failed to raise the living conditions of the tens of millions of Russian workers and peasants—in fact, they are lower than in the time of the Czars — but the State itself has stumbled from failure to failure in terms of the mass production required to maintain such a huge population.

The catastrophic failure of Soviet agriculture—admitted by the leaders—has been the direct result of over-planning, to keep the industrial-military machine going. The result is, with the exception of a few areas of production such as steel, electric power, metals and, more recently, atomic energy, all of which are based mainly on military planning, the output of the typical products of industry has lagged far behind even that of Western Europe, let alone the United States. And, of course, as we know, the feeble attempt of the Malenkov government to raise production of consumer goods was quickly abandoned in favor of heavy industrial production to the dismay of the Russian people. This leaves the vast Russian state resting on a comparatively narrow production base.

Some attempt has been made to alleviate the unbalanced economic situation in the Soviet homeland by forcing production of the unhappy satellite states to be geared to the needs of the Kremlin but purge after purge of the inevitably inadequate leaders of these Eastern European countries have shown that their economies could not be forced into unnatural channels.

Since Russia has little to sell to the Western world, despite her well-oiled propaganda, she is forced to concentrate on trade with the satellites. Her commerce with Iron Curtain countries is controlled by state trading agencies which have a monopoly of foreign trade in the captive countries. Since the Kremlin insists on iron-clad control of this trade in order to prevent these countries from re-opening their traditional channels of trade with the outside world, the Soviet pressure has the double effect of, first, making the captive countries more and more dependent economically on Russia, and, second, tying them more firmly into the Soviet orbit politically. In the meantime, of course, the population of these countries continues to endure a more miserable life, if possible, than the population of Russia itself.

This is illustrated by the fact that the economic structure of the nations behind the Iron Curtain which had formerly been largely based on the sale of surplus mining, forest and agricultural products to the West has been greatly altered with the shifting of these economies from their traditional emphasis on the production of raw materials to a scope of industrialization which they cannot afford. This has meant a severe reduction in the import of consumer goods which accounts for the threadbare condition of these people, *(Please turn to page 140)*

Investors Now Taking Another Look

Market action over the last fortnight was more encouraging than otherwise. The Dow rail average reached a new bull-market high, the industrial average came close to doing so. Barring a serious news shock, the presently indicated direction is selectively upward. Continue to put principal emphasis on demonstrated individual stock values in your portfolio management.

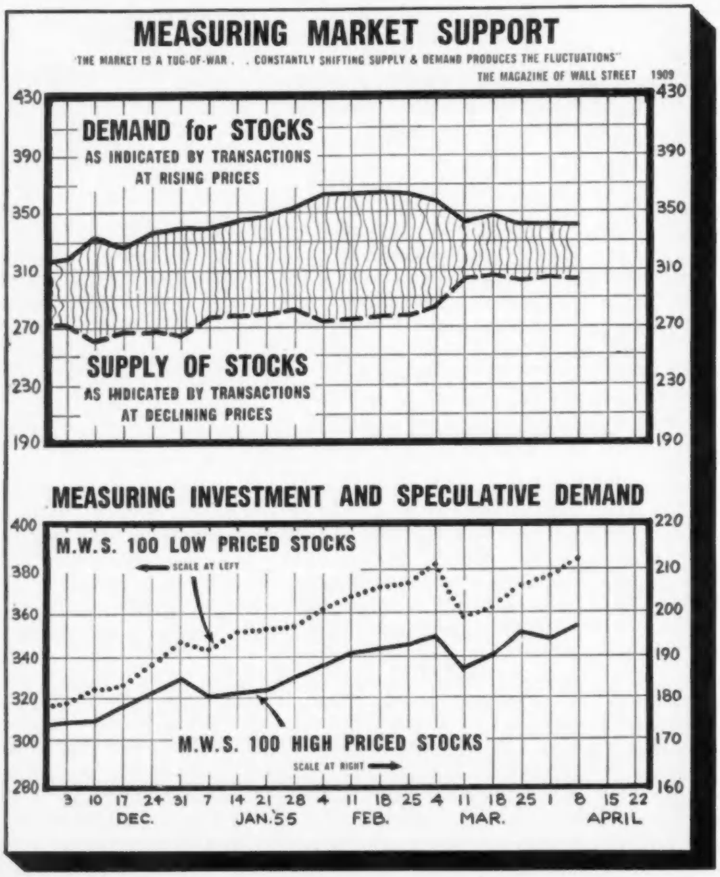
By A. T. MILLER

The market remains mixed and selective, with the going on the upside more laborious than easy. The latter has been so throughout 1955 to date. To illustrate this fact, the Dow industrial average had a net gain of only 5.31 points in the first quarter of this year, compared with the following quarterly gains in 1954: first quarter 22.61 points, second quarter 30.02 points, third quarter 26.93 points, fourth quarter 43.93 points. The rail average had a net rise of 4.46 points in this year's first quarter. That bettered performance of only one 1954 quarter: namely the third period, with a gain of only 1.07 points. Otherwise, this average's quarterly gains last year were: first quarter 7.39 points, second quarter 12.69 points, fourth quarter 29.68 points.

The industrial and utility averages have yet to better the bull-market highs recorded early in March. As heretofore noted, those highs, as compared with the early-January highs, represented an extension of the bull market by less than 3% in the case of the industrial average. Reflecting a material abatement of speculative tendencies, trading volume in recent weeks has run substantially under that seen on strength both in early January and early March.

The Other Side Of The Picture

But that is only one side of the picture. In the first place, the limited fluctuation so far in 1955, following over-fast advance from late October of last year into the initial week of this year, could be "the pause that refreshes". Comparatively sharp reactions in the first half of January and the first half of March undoubtedly have strengthened the market's technical position. So also have fairly frequent minor day-to-day relapses on the upswing from the mid-March lows.



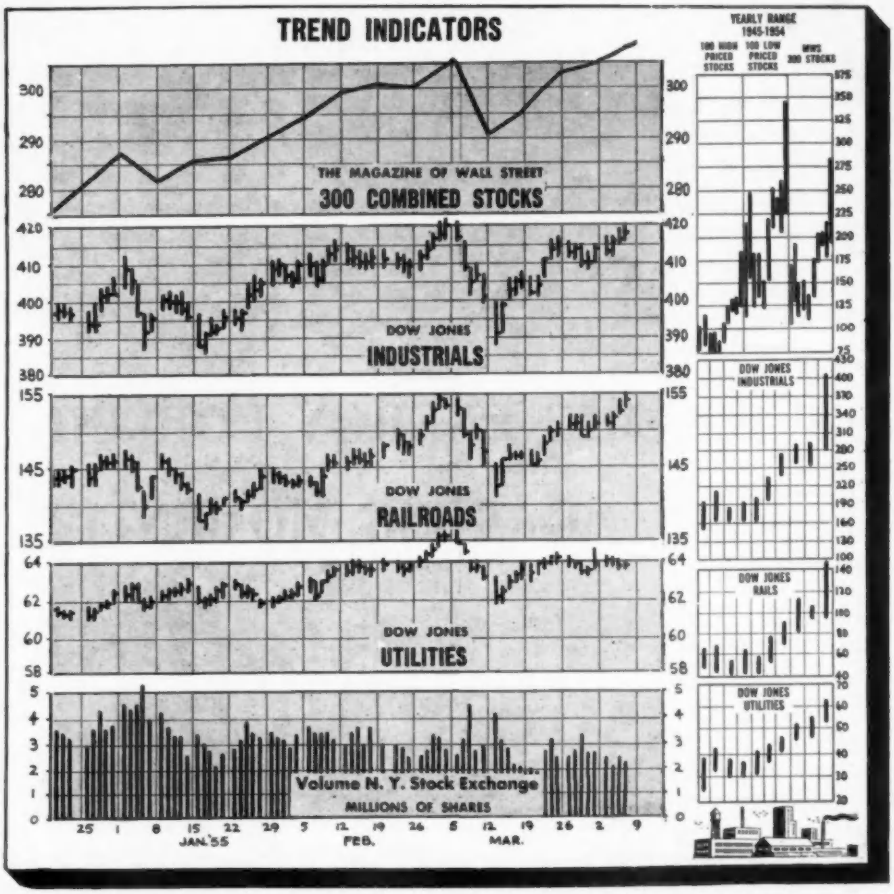
In the second place, laborious or not, that upswing was extended over the last fortnight, taking the industrial average within immediate striking distance of its March 4 bull-market high to date, and taking the rail average to a new bull-market high slightly above its March 2 top, with upward tendencies maintained to the close of trading last week.

In the third place, although speculative motivation is, as usual, evident in some sections of the list, no quarrel can be found with the current upside leadership. A number of front-line stocks, including some of investment—income grade, are participating, probably aided in various instances by institutional buying or other "good" demand. Thus, among the individual stocks which have attained new highs for 1955 or longer in recent trading sessions are Union Carbide, Armstrong Cork, Atchison, Owens-Corning Fiberglas, Wrigley, U. S. Steel, Eastman Kodak, J. C. Penney, Union Pacific ,American Gas & Electric, Bethlehem Steel, American

Smelting, International Business Machines, Pfizer, U. S. Gypsum, Allis Chalmers and Sperry.

For all practical purposes, the market made double-bottoms on the January and March sell-offs in the area of 388-391 for the industrial average and 138-142 for the rail average. There is no basis for anticipating a retreat to or below those levels within the presently foreseeable future, unless it should be caused by some surprising and unpredictable news shock.

During the period of limited trading-range fluctuation in the averages heretofore, a variety of recognizable uncertainties and contingencies has, as usual in such a market environment, been discussed and debated, and, therefore, allowed for in the thinking of informed investors. If any external development precipitates another sell-off of any significance any time soon, the chances are that it will have to be "something out of the blue" of surprising nature. The potential depressing effect of talked-about uncertainties is usually limited, if not nil, as a result of the mere fact of psychological preparation.



Talked-about uncertainty No. 1 is possibility of war in Asia arising from Red China's openly proclaimed intention of takng Quemoy, Matsu and Formosa. Our resolve to defend Formosa, by any required means, has been made clear to the world. Unless the Chinese leaders are crazy, we find it difficult to believe that they can seriously contemplate war with the U. S. on the Formosa issue. Our position as regards Matsu and Quemoy has not been made clear. A Red assault on them would be no surprise. It probably would be a surprise, unsettling the market, should we make any real attempt to defend them. The strategic, tactical and political considerations argue against that policy.

The Credit Factors

So far as general business prospects are concerned (analyzed elsewhere in this issue) it would seem that the constructive factors outweigh the negative factors by a substantial margin. Some moderate easing, of course, can be expected in the summer months but this would be normal. It could easily be that autumn will bring a strong business trend. Certainly business conditions indicate an extremely strong base with a surprising degree of cumulative increase in production and sales in most sectors of the economy throughout the country.

There is, of course, the possibility that the monetary authorities might take mild credit-tightening steps to brake boom tendencies in the economy; and might again raise margin requirements if undesirable speculative tendencies give future reason for concern. However, the latter is a bridge to be crossed when and if we get to it.

So far as the general economy is concerned, the authorities have indicated not too much worry only over the housing boom, but the situation does not require a general tightening of money rates. If there is any move along the latter lines, it figures to be mild because (1) the general inflation threat is more potential than real, (2) the authorities desire normal business progress, and (3) they can hardly risk inducing recession.

The Background for a Sound Policy

The first-quarter earnings reports, soon to begin coming out, will make generally cheerful reading. The trend of over-all dividends is gradually upward. Although stocks are now far removed from the bargain counter, average stock yields still exceed bond yields by a good deal more than they have done at past bull-market peaks. Total personal and disposable income is running t a record level. There is still pressure of accumulating funds, in institutional and individual hands, seeking worthwhile employment. None of this argues for a dynamic and broad market upsurge. It does argue for holding positions in sound stocks, subject to reasonably prudent reserves; and for selective placement of idle cash, over and above adequate reserves, in individually attractive equities.

—Monday, April 11

ATOMIC ENERGY FOR INDUSTRY GAINING MOMENTUM

By L. A. LUKENS

Even the scientists most responsible for the development of atomic energy for industrial use are amazed at the rapidity with which this revolutionary innovation in technology has proliferated over the immense industrial landscape of America.

Many competent observers, as recently as several years ago, took the position that the greatest advances in atomic science would necessarily be limited for years to come to its military phases and that peace-time (industrial) application would have to wait its turn. Still, some imaginative persons thought differently and prophesied a much earlier expansion of atomic energy for civilian uses. It now turns out that the conservatives were wrong.

Interestingly, it appears that the use of atomic energy for industry and related needs is about to develop with such extraordinary speed that it has become a highly practical proposition to analyze the possibilities from the investment standpoint, not as of a generation hence, but for the relatively near future, say from five to ten years. Even this estimate will be shortened, no doubt. In fact, many companies are already commencing to profit in varying degree from various developments in the new field.

What we have now may be likened to a "Second Industrial Revolution" with the exception that, due to the immense accretion of scientific knowledge of the uses of atomic energy developed in the past few years, the new age will blossom in only a fraction of the time that it took the earlier 18th century industrial revolution to gain real momentum.

For that reason, the field of atomic science and its application to industrial use has suddenly become of the highest importance to investors. The fact of the matter is that several hundred companies, of large and small size, are already caught up in one phase or another of these new vast developments. It is not surprising, therefore, that these developments are significant enough to have attracted large institutional investors who realize that the potentials have already developed far beyond the experimental stage. Some of these are described in the following and are listed in the accompanying tables.

In recent weeks, the enormous potentials of investment in securities identified with companies in the atomic energy field have attracted the attention of investors generally and, in fact, there is a good deal of scurrying about among investors to locate those stocks with the greatest promise. It has suddenly dawned on the public that the real future of

atomic energy insofar as investments are concerned may be found among industrial companies which are making special advances in the manufacture of new equipment and in the new techniques rather than exclusively among the uranium stocks which have had the main play thus far. Stocks such as Babcock & Wilcox and Combustion Engineering which are about to break ground for new plants to make particularized equipment have been spectacular performers. Others, such as Bath Iron Works and Newport News, not generally associated with the atomic field heretofore, have suddenly become prominent performers.

The Magazine of Wall Street, for several years, has specialized in describing the latest developments in this field. This article is a somewhat more elaborate continuation of the series in which we bring our readers up to date with as many of the newer developments as can be encompassed within the space of a single article.

In addition to details presented on specific company developments, it has also been thought necessary to cover the results of recent Atomic Energy Commission hearings insofar as they facilitate the harnessing of private industry to the atom.

Dreams of harnessing the power of the atom to the wheels of industry—nurtured over the decade since the first atomic blast at White Sands, New Mexico—are moving rapidly nearer to realization according to decisions taken by the AEC. Late this summer, for example, electric power from an experimental reactor operated by the Atomic Energy Commission at West Hilton, N. Y., will be available for sale to commercial consumers. Electricity from the nation's first full-scale atomic power plant, owned jointly by the AEC and Duquesne Light Co., is slated to be on the market by late 1956 or early 1957. This is the reactor now under construction at Shippingport, Pa.

In the meanwhile, the AEC has invited private companies to submit proposals for building reactors on their own. Operating under the Atomic Energy Act of 1954, the commission and private industry are no longer hampered by legal barriers to private participation in the development of nuclear power. Briefly, the 1954 Act permits private ownership, under government license, of certain nuclear materials and the facilities for making use of them. Committees making acceptable proposals to the commission will be given free use of nuclear fuel and other Federal assistance. Lewis L. Strauss, chairman of the commission, has said such aid is being made available in the belief that the greatest advances in reactor technology will come from the actual construction and operation of large-scale reactors on a commercial basis.

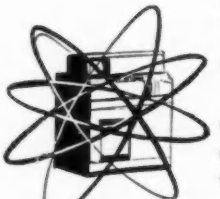
Through this expanded industrial participation program of the commission, a substantial portion of industry is today in position to play an increasingly important role in industrial applications of the atom. One forward-lookng industrialist has already de-

An Exclusive Statement for The Magazine of Wall Street:

"THE PEACEFUL ATOM"

By JOHN JAY HOPKINS

Chairman of the Board and President, General Dynamics Corp.



The phrase, "The Peaceful Atom," voices our hope of solving many of the age-old material problems of man. Yet, while understanding the phrase's psychological appeal to mankind, I find in it a note of possible contradiction.

For men of good will, the word "peace" has an almost unequaled power, denoting as it does a condition opposite to war. But it may also connote a condition of unhurried ease, of slow, quiet living. Certainly this connotation must not describe our entry into the age of the industrial atom.

What we are undertaking is a war against the material evils that beset man. The atom is our weapon, but let no one assume that this conquest will be easy, or slow, or without sacrifice.

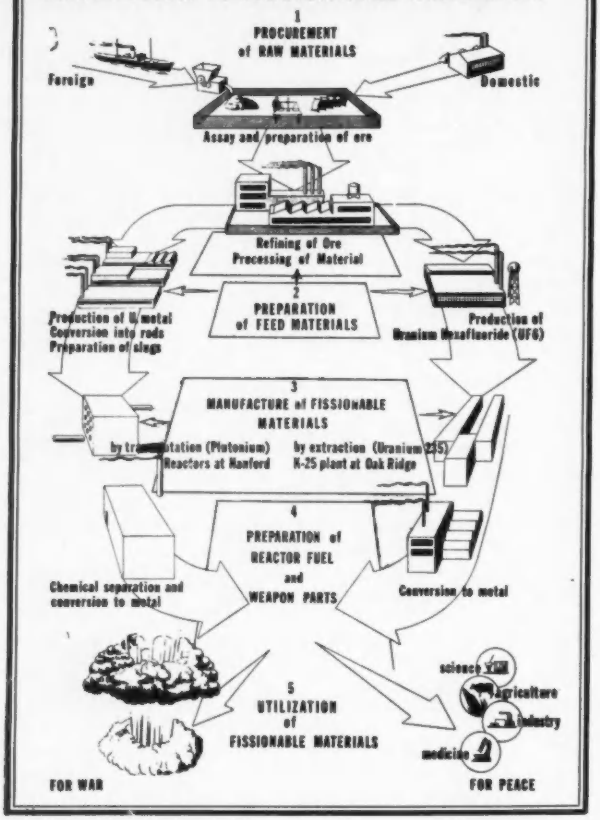
Increasingly aware of the possibilities for bettering their material life, the peoples of the backward nations of the world are generating an imperative demand that cannot be ignored for improvement of their standards of living. *Only the absolute power of the atom can supply the economic muscles necessary for their advancement.*

As the first and most powerful atomic nation, we Americans have a moral obligation to provide leadership during this Atomic Revolution, this "peaceful" atomic competition. The energy and ability which has built the American industrial civilization — the American standard of living — must now be turned to those "have-not" nations of today which want so desperately and deserve so thoroughly to become the "will-get" nations of tomorrow. The time has come, it seems to me, when American industrialists must coalesce international policies and international programs into international action.

Leading this world change will involve at times almost baffling difficulties, for though our goal is clear, we have no master plan for arriving at it. What we must do is implant fruitful atomic seeds over the earth — now! Our philosophy, and our hard work will guide the growth of these atomic seeds in the underdeveloped nations of the world providing them and so eventually providing us with a harvest of material blessings and peace.

We must consider atomic energy as the last opportunity we possess to establish a stable world. Individually, in groups and as a nation, we must be imaginative, we must be venturesome, we must create the new atomic age.

PRODUCTION of FISSIONABLE MATERIALS



clared we are well along toward what he thought fair to term "The Atomic Revolution."

AEC Chairman Strauss, supporting the statement that a substantial portion of industry is now in position to take part in the development of atomic energy for industrial uses, told the Joint Congressional Energy Committee:

"We are going forward on many fronts with the broad purpose of hastening the day when the American people enjoy the commercial benefits of this new source of energy. The fact that 33 industrial firms were considered qualified to design, build, and assure the successful operation of the first small power reactor for the Army, and that 18 of them submitted fixed-price proposals, is a striking example of the transition that is underway, away from government monopoly and toward competitive industrial participation under the provisions of the new [1954] Atomic Energy Act."

Harnessing Private Industry to the Atom

Since the passage of the new Act, the AEC has established a study agreement program for the purpose of enabling private industry to cooperate in nuclear power developments. The commission confidently expects as many as 100 new participants in the program during the present year. As of this moment, agreements have been executed with the following companies and organizations, all of them well-known in the American industrial picture:

American Machine & Foundry Co.; The Babcock & Wilcox Co.; Bendix Aviation Corp.; Bethlehem Steel Co., Atomic Power Development Associates (Detroit Edison Co.); Foster Wheeler Corp.; Pioneer Service & Engineering Co.; Diamond Alkali Co.; General Electric Co.; Monsanto Chemical Co.; Newport News Shipbuilding & Dry Dock Co.; Northwest Utilities Group; Nuclear Power Group; Pennsylvania Power & Light Co.; Tennessee Valley Authority; The Vitreo Corporation of America; Westinghouse Electric Corp.; Henry J. Kaiser Co.; Rocky Mountain Nuclear Power Study Group; Consumers Public Power District (Nebraska), and Duquesne Light Co.-Walter Kidde Nuclear Laboratories.

The foregoing 19 study agreements are directly related to power reactor development. Seventy-one other companies and organizations are participating through study agreements covering phases other than reactor developments. In this group are 45 utilities, 10 equipment manufacturers, nine engineering and construction firms, five chemical companies and two shipbuilders. They have joined the AEC program whose objectives include the manufacture of reactor components or auxiliary equipment, the design and construction of package power and research reactors, fuel preparation and chemical or metallurgical processing of spent fuel elements, and merchant ship propulsion. A number of these companies are listed in the accompanying tables.

Passage of the Act of 1954 stimulated industry's interest in the possibilities of the atom for peaceful purposes and, at the same time, made it possible for the AEC to work more closely with private firms, giving information and assistance not possible under the security stringencies of the original Act. The Commission now has more authority in releasing information to American firms of accepted responsibility. Other stimulants for industry include more flexible licensing agreements, and more liberal treatment of those who come up with new patents in the atomic energy field. It would require many pages to completely analyze the new Act's benefits to industry, hence to the investor. For that reason, the writer moves on to less technical and legalistic phases of "The Atomic Revolution."

Nuclear-Powered Stations for Electric Energy

Aside from weapons development, over 1,000 industrial firms now supply the AEC with essential materials and plant equipment. This is "big business" for most of these firms, many of which fall within the "small business" category. There are many opportunities for the individual, the industrial firm—large or small—to get into the swiftly expanding atomic energy field. The commission welcomes inquiries, and is prepared to explain in detail how to do business with it, or to participate in its programs for advancement of commercial uses of the atom.

Of these uses, there can be no doubt the greatest will be the production of electrical energy. Less than two years ago it seemed that quantity production of electric power from the atom was something in the remote future. Initial cost of the nuclear powered station, compared with steam, diesel or hydro stations, the scarcity of fissionable materials and the hush-hush wraps of security, justifiably accounted for the pessimistic view.

Initial cost is still somewhat a deterrent, but construction of three large reactor plants, now actu-

ally in progress, will definitely determine the cost factor, even now anticipated to be less than originally estimated. Uranium, basic element necessary to the reactor, is becoming more plentiful and less costly as exploration and discovery in this country and Canada move forward with increasing success. Security, heretofore a retardant, is now relaxed to the point that industry can move forward faster than was possible a year ago.

These conditions—cost, uranium supplies, and security—have so improved in the past year that in mid-February, Dr. George Manov, AEC industrial specialist, predicted that one in 10 new power plants built in 1965 will be nuclear power plants and one-half of the new plants will be nuclear in the year 2000.

Today's investor is not interested in the power plants of 45 years hence, unless he be planning a trust fund for his grandchildren. He is interested, however, in the power plants of 5-10 years from today, and he is more interested in knowing of other ways the atom can contribute to his income in the near future.

The nuclear power plant of 1965 will have an initial cost competitive with conventional steam, diesel and hydro plants. The prediction is made in the sure knowledge that American engineers and industrialists have always overcome cost and construction problems. And, the nuclear plant of large generating capacity, which costs no more than a fuel plant of equal capacity, will have advantages impossible of enjoyment by the conventional type plants.

Fuel costs will be reduced to a minimum. Just how long the reactor's heat producing radioactive elements will last is not known with exactitude at this time. They will have to be added to from time to time, but it is known that entire replacement at one time will never be necessary. Replenishments will never be as costly as the day-to-day consumption of fuels—gas, coal, or oil. Perpetual motion has been dreamed of in other years. The atom will not supply perpetual motion, but properly incorporated within the structure of the reactor, it will approach the perpetual fuel supply.

Hydro plants have no direct fuel problems; nevertheless, fuel costs figure in their operation. Because of the irregularity of water supplies, the hydro plant seeks the aid of steam power, particularly in years of inadequate rainfall. The nuclear plant will need only enough water for conversion to steam, and such water supplies are ample in just about every county in the United States except some of the southwestern deserts. However, should some mineral deposit in one of those desert regions need electric power for exploitation, the package reactor, with the aid of one or two drilled wells, might readily do the job.

Importance of Portable Reactor

This would be a proper point to start discussion of the package (portable) reactor for power producing purposes. It is in this area that U. S. manufacturers will find money-making opportunities, both here and abroad. Although our country has an impressive electric power grid, there are many spots with natural wealth—timber and minerals—which await only adequate power to convert those natural resources into cash. Such reactors will know a Canadian demand. In the vast northern reaches of our

Companies Identified with Atomic Energy Field

	Recent Price	Indicated Dividend	% Yield
Uranium Mining, Concentrating or Both:			
Anaconda Copper Mining	57	$ 3.00	5.2
Atchison, Topeka & Santa Fe Ry.	134	7.00	5.2
Climax Molybdenum	67	3.00	4.4
Homestake Mining	43	2.00	4.6
Kennecott Copper	109	6.00	5.5
Kerr-McGee Oil Industries	33	0.45	1.3
Molybdenum Corp.	59	1.00	1.6
New Jersey Zinc	43	1.00	2.3
U. S. Vanadium (Union Carbide div.)	....	....	....
Vanadium Corp.	41	1.40	3.4
Production of Uranium as By Product			
Blockson Chemical	35	1.40	4.0
Internat'l Minerals & Chem.	35	1.60	4.5
Minerals & Chem. Corp.	....	....	....
Virginia-Carolina Chemical	49	....	....
Operating Plants for AEC			
American Cyanamid	50	2.00	4.0
American Tel. & Tel.	179	9.00	5.0
Bendix Aviation	56	2.00	3.5
Dow Chemical	46	1.00	2.1
duPont de Nemours & Co.	168	5.50	3.2
Goodyear Tire & Rubber	59	2.25	3.8
Monsanto Chemical	110	2.50	2.2
National Lead	59	2.10	3.3
Phillips Petroleum	77	3.00	3.9
Procter & Gamble	97	3.00	3.0
Fuel Processors or Producers of Special Materials			
American Potash & Chemical "B"	84	2.00[1]	2.3[2]
Beryllium Corp.	41	....[3]	....
Foote Mineral	47	0.35	0.7
Lindsay Chemical	42	0.60	1.4
Lithium Corp.	33	....	....
National Lead	61	2.00	3.2
Pennsylvania Salt Mfg.	47	1.85	3.9
Sylvania Electric Products	44	2.00	4.0
Tennessee Corp.	48	1.75	3.6
[1]—Plus Stock. [2]—Based on cash div. only. [3]—Paid 4% in stock in 1954.			
Construction or Engineering Contractors			
Babcock & Wilcox	111	3.00	2.7
Blaw Knox	28	1.20[1]	4.2[2]
Combustion Engineering	78	3.00	3.8
Foster Wheeler Corp.	42	1.60	3.8
[1]—Plus stock. [2]—Based on cash dividend only.			
Special Equipment and Services			
ACF Industries	54	4.00	7.4
Allis Chalmers Mfg.	78	4.00	5.1
American Machine & Foundry	31	1.00[1]	3.2[2]
Beckman Instruments, Inc.	22	....	....
Consolidated Engineering	27	0.40	1.4
Minneapolis-Honeywell	113	2.60	2.3
Norden-Ketay Corp.	17	....	....
Worthington Corp.	56	2.50	4.4
[1]—Plus stock. [2]—Based on cash dividend only.			
Applying Aotmic Power			
American Gas & Electric	43	1.80	4.1
Baldwin-Lima-Hamilton	16	0.80	5.0
Consolidated Edison of N. Y.	49	2.40	4.9
Detroit Edison	35	1.60	4.5
Duquesne Light	36	1.80	5.0
General Dynamics	72	2.00	2.7
New England Gas & Electric	18	1.00	5.5
North American Aviation	55	3.50	6.1
Stone & Webster, Inc.	29	2.00	6.8
United Aircraft	78	4.00	5.1
Westinghouse Air Brake	29	1.20	4.1
Varied Activities in Atomic Field			
General Electric	51	1.60	3.1
Union Carbide & Carbon	85	2.50	2.9
Vitro Corp. of America	26	....	....
Westinghouse Electric	78	2.50	3.2

Recent Company Developments in Atomic Field

Babcock & Wilcox Co.	Has been awarded contract by Consolidated Edison Co. of N. Y. to design and build atomic reactor. B & W also is planning to construct new plant at cost of several million dollars to produce fuel elements and other reactor core components for the nuclear power industry.
Baldwin-Lima-Hamilton Corp.	Jointly with the Denver & Rio Grande Western Railroad, with the approval and technical assistance of the AEC, will make a study of the technical, engineering and feasibility of employing nuclear powered reciprocating engines for use in locomotives.
Consolidated Edison of N. Y.	Has applied to the AEC for authority to construct and operate a full-scale $55 million nuclear electric power plant with an installed capacity of approximately 200,000 kilowatts.
Detroit Edison	In association with engineering, equipment manufacturers and other utility companies, has formed Atomic Power Development Ass'n., Inc., a non-profit corporation. Proposes building at an estimated cost of $45 million a nuclear reactor in the Detroit area. Detroit Edison will contribute about $5 million of cost, and buy steam from the unit to generate electricity.
General Dynamics Corp.	Is tentatively slated to receive contract for the construction of the third nuclear-powered submarine for the U. S. Navy. Company's Electric Boat Division launched the "Nautilus," the first of this type of submersible more than a year ago and is now constructing the "Sea Wolf," the second in the atomic-powered submarine fleet planned by the Government.
Tennessee Corp.	Has signed an AEC contract for sale to the latter of uranium extracted in the process of producing triple superphosphate. Production, through new plant to be financed by the company, expected to begin early next year.
Vitro Corp. of America	A subsidiary, Vitro Minerals Corp., owned jointly with the Rochester & Pittsburgh Coal Co., began uranium operations in Wyoming a few weeks ago. With this development Vitro Corp. rounds out its activities in uranium-atomic energy embracing uranium mining, refining and nuclear power plant engineering.
Westinghouse Air Brake	Has been awarded an AEC contract to study possibility of designing a low-capacity nuclear reactor, primarily for the armed services, which would need no operating personnel and require a minimum of routine maintenance. Floor Corp., Ltd., will be associated with this effort.
Westinghouse Electric	Jointly with the Army has developed an atomic-powered engine deemed suitable for use in a tank. The new unit, at present, is regarded as strictly experimental and no plans have been made for its production.

northern neighbor are proven deposits of uranium, reserves of oil and other valuable minerals. Beyond the reach of conventional transmission lines and fuel supplies for power generation, these resources can be tapped with the aid of power from nuclear reactors, flown in piece-meal or even hauled in by sled.

Other isolated areas in Alaska, Greenland, Iceland, the North countries of Europe, Africa—in fact, wherever man seeks out the raw materials of industry and commerce—will profit from the portable reactor. It is reported that England, Belgium and Russia have moved somewhat ahead of us in design and construction of the portable reactor. One cannot guess when these countries will be ready to market this type of power plant, but our own genius for organization and mass production should enable us to get abreast and ahead of potential foreign competition.

In the design of the large, fixed site reactors, we may be ahead of the other nations. Three are now under construction, each of over 100,000 kilowatts generating capacity. At the outset, they will be at competitive disadvantage with conventional power plants. Of more importance, from these first plants will come the know-how to design and build the fourth, fifth, sixth and all the others to follow so that their power output will cost less and less. For some years to come, fuel supplies in this country will make it difficult for the large, fixed nuclear power plants to compete with those using conventional fuels or water. There are, however, areas of the world where the big reactors can produce power at costs below present methods.

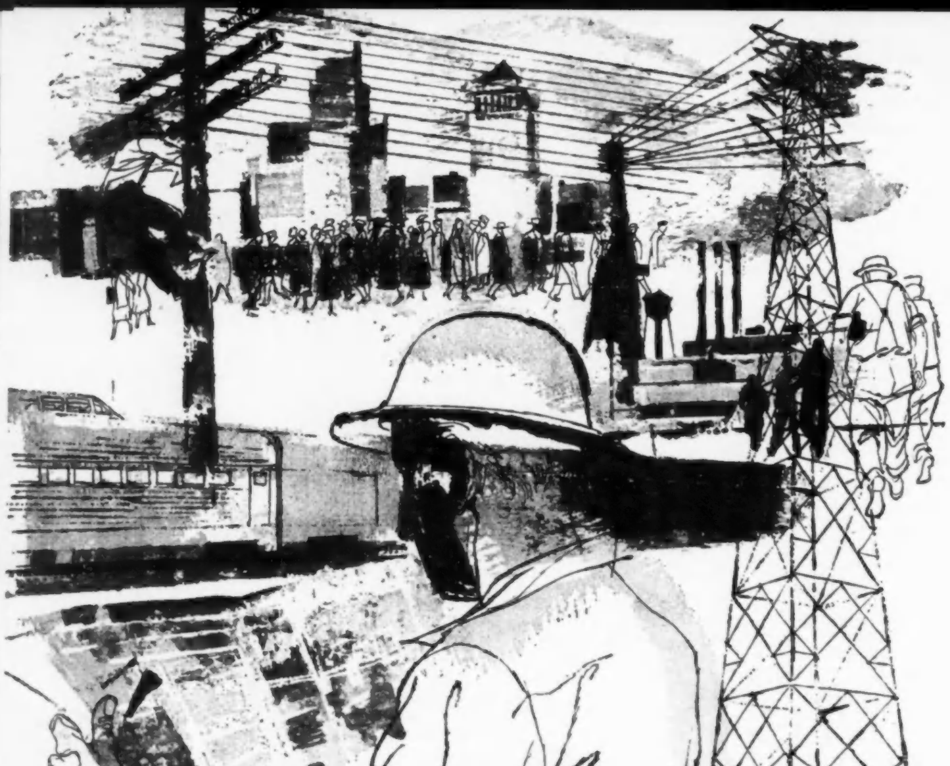
Japan could use at least 20 nuclear plants and get its electric power for less than today's cost—20 mills per kilowatt hour. What is true of Japan is true of India. France is now building its last hydro installation. In countries remote from fuel supplies, without adequate hydro sites, or troubled by labor conditions which make fuel supplies costly or uncertain, the large, fixed nuclear power plant is needed; not five years hence, but now. These are markets for American firms to look toward. Some foreign purchasers may be able to buy direct, others will have to look to the World Bank and Monetary Fund for help, while the Export-Import Bank will be of assistance in other cases.

Russia is said to be not far behind us in plans to harness the atom for industry. If the Reds beat us to these potential foreign markets, the propaganda value to Communism would be hard to offset. If we in the United States score a "first," we will have the propaganda advantage and at the same time give a boost to foreign economies that will make it unnecessary for us to pour billions of dollars each year into overseas assistance programs.

With the production of electric energy by nuclear means estimated to cost in excess of seven mills per kilowatt hour—present highest U. S. cost by conventional fuels—the reader may reasonably ask: Why concern ourselves with electric power from the atom? An answer may be found in the February 10 announcement of the Consolidated Edison Co. of New York, revealing its plans to construct a 100,000-200,000 kilowatt nuclear electric power plant at Indian Point, N. Y.—the first in the country that will be privately financed, built, and operated. Testifying before the Joint Congressional Committee on Atomic Energy, H. R. Searing, president of the company, said: (*Please turn to page* 120)

AN ATOMIC MAP OF THE WORLD — MAJOR URANIUM DEPOSITS AND THE PRODUCTION AND TESTING CENTERS

One of the clearest indications that advances in peace-time use of atomic energy have emerged into the realm of public information is the fact that a map such as this can now be published. In addition, the Atomic Energy Commission is progressively declassifying information dealing with research and power reactors and many other facets of atomic energy having to do with peaceful applications, according to a recent statement by Lewis L. Strauss, Chairman U. S. Atomic Energy Commission. We believe this article and the information contained in the tables and other features which are herewith described will command the interest of investors and businessmen everywhere.



A Realistic and Uninhibited Approach to the Business Outlook

By HOWARD WINGATE

One of the most interesting features of the present business recovery is that to all intents and purposes, the doubters have by now mostly disappeared. As recently as the turn of the year, an uneven recovery was in progress and there was not yet sufficient evidence that it could be sustained for any considerable period. Some even thought that by early spring the recovery would show the first signs of a relapse to an average sort of "prosperity" after a strong start and at best that if business volume could get up to as much as 3% over 1954, that would be a good enough showing.

But as the winter came to a halt, business recovery, instead of waning seemed to acquire a new impetus of rather startling proportions. Even to the most cautious business commentators, it commenced to occur that an important factor, hitherto not given sufficient weight, was exerting powerful pressure which was so strong as to upset all previous unduly conservative calculations.

It happened that those of us who sensed the existence of this powerful factor, as long ago as last autumn, have been proven more nearly right than those who did not evaluate it correctly. Yet we had nothing more definite to go on at that time than an "instinctive" awareness that the public mood towards buying was in process of making a slow but massive turn from retrenchment to free spending. The great American public had simply got tired of holding its expenses down and trimming its purchases. Not much of this was as yet visible in conventional business statistics but the storekeepers knew better. To their amazement, they suddenly found that under the strong public buying their stocks had run down and that they were in danger of losing business unless they stepped up their orders to wholesalers and dealers who, in turn, had to get busy and increase their own orders to supply manufacturers. That this was not merely a Christmas flurry, is shown by the persistence with which consumption of goods has increased steadily since the turn of the year.

By the middle of autumn, all manner of goods had already started flowing in increasing volume to the consumer. This was by no means limited to the soft goods field and spread rapidly into such hitherto slow movers as TV, household equipment of all kinds, and, of course, it was marked by the amazing comeback in auto sales. The strange thing is that as one manufacturer recently stated, instead

f leveling-off after the substantial rise of the past ew months, "orders are increasing all the time." With the advent of April, the cumulative effects f new orders are quite sizable in practically every egment of the economy.

The steel industry is an example of a massive and nexpected burgeoning of orders, coming from all ver the country, which has stepped up production o the near record level of 95% of capacity. There re many who believe that a large part of the ncrease in orders has been due to fear that a steel trike would imperil supplies, but a field survey mong actual buyers shows that actually this is y no means the dominant cause of the uprush in rders. No doubt, some consumers wish to protect heir position against a steel stoppage, but the fact s that most big consumers are discounting the possibility of a strike and are looking ahead to the ecessity of keeping their plants going on a rising cale of production to meet the ever-swelling ational demand. They believe they will need all he steel they can get to prepare for the big autumn nd winter business they see in sight after the usual ummer let-down. If they acquire a little more than hey need now, they are not concerned in view of heir future plans.

One of the best indices of the change in the attitude of big industry toward future operations is he reversal in the previous downward trend for apital expenditures for new plants, equipment and modernization. As recently as the January-March quarter, businessmen had planned an expenditure for capital improvements in 1955 of less than $26 billion but in recent weeks they have stepped up their plans to call for the spending of $27.4 billion. This is an important bet for American business to make on the economy this year. Of course, a sudden downturn in business would lower their current optimistic sights, but apparently American business leaders do not believe that such a downturn will occur. Otherwise, they would not enlarge their capital expenditures at this time.

Public Saving Less of Its Income

As long as personal spending is increasing, it would seem that the business outlook must remain highly favorable. In 1954, during the January-March quarter of the year, this was stepped up to $237.7 billion. *At the present time, the rate of spending is at the highest level in history, or just a shade under* $240 *billion.*

Most significant of all the available data on business conditions is the change in the rate of saving as compared with the public's "disposable" income. Since the last quarter of 1953, when the public started to save in earnest and cut down on its spending, and which contributed so markedly to the downturn in business which followed, there has been an important change in the public's savings habits. The public is now saving only a trifle over 7% of its disposable income (personal income less taxes) as against 8.6% in the final quarter of 1953 and the first quarter of 1954. Obviously, the public does not feel it necessary to save as much of its income as formerly as it has more confidence in its jobs. When the great American public, in a little over a year, decides that it can afford to cut down its saving of the amount it earns, after taxes, by as much as 20%, something very important has occurred in its buying habits during that short period.

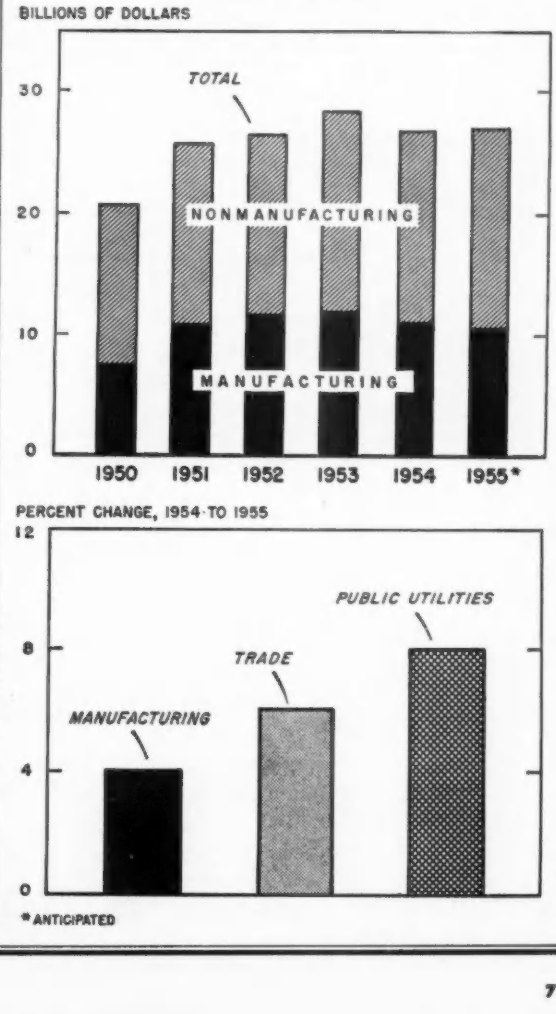
Not only has the public a sense of greater confidence in the continuation of its earning power from wages and salaries but it has greater confidence in the remarkably stable retail price situation which thereby gives it a feeling of greater security with respect to the purchasing power of its liquid assets as a whole. Under these conditions, it is logical that it should feel disposed to put aside a smaller percentage of earnings as savings. This difference in the flow of cash from consumers naturally has a profound influence on the volume of sales at the store level, which is increasingly felt all the way up to the manufacturer's level.

It is probably true that the dynamics of this situation had not been fully appreciated until lately and this accounts for the persistence with which skepticism concerning the duration of the business recovery continued up to recently.

Uprush in Consumer Credits

The impact of revived consumer spending on the economy, through the reduction in public savings, and the effects of the consequent release of more cash to the economic bloodstream has been greatly heightened by the monumental increase in consumer

Trend of Sales



debts which has been gaining momentum since last autumn. At the end of last summer, total consumer credit outstanding was $28.6 billion, a slump from $29.5 billion, the 1953 average. But, these debts have steadily increased since, under the impact of consumer demand for new funds and, it is estimated, that in early Spring, they will come close to $31 billion, the highest in history by far. The last reported figure—January—was already at a new high of $30.12 billion but the velocity of the increase in outstanding consumer credits indicates that even this impressive figure will be left behind in coming months.

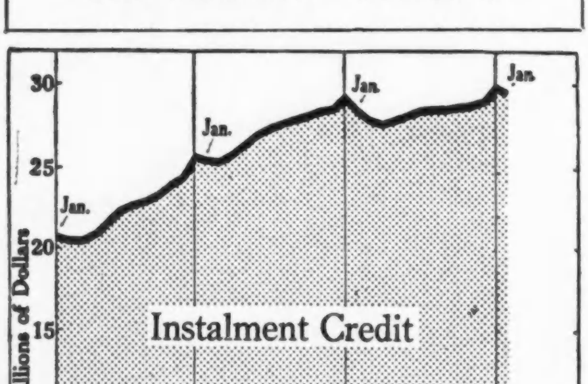
The vastness of the sums involved are indicated by the following: As of January 31, last reported figure, installment credits alone stood at $22,436,000,000. Of this, auto loans were $10,459,000,000; personal loans, $4,794,000,000; loans for home repair and modernization, $1,574,000,000 and loans for "other" consumer goods, $5,609,000,000.

Non-installment credit amounted to $7,248,000,000. This represented "charge accounts," $3,225,000,000; single payment loans, $2,295,000,000 and service credit, $1,728,000,000.

In addition to the resources already in the possession of consumers—savings and earnings—the sums mentioned above represent a vast accretion of buying power. This is by no means leveling-off as previously expected but is continuing to rise. The importance of the total of these loan resources to industry and business can best be appreciated from the fact that somewhere between 50% and 70% of all sales of consumer durables are financed via time-payments of one sort or another.

Some concern is being expressed lest the ratio of consumer debt to disposable personal income is in danger of reaching a critical point. There is a vast amount of disagreement on this subject, even among monetary experts. With reference to installment credits, it is of some significance that the ratio

Consumer Credit



of installment credits extended to installment credits repaid has remained more or less constant. It is obvious that this stable situation flows from a rather constant level of employment and earnings and is likely to maintain itself as long as there is no downtrend in the rate of employment. As a matter of fact, employment has risen slightly though the slowness of this increase remains one of the less pleasing features of the over-all situation.

As to whether or not consumer debt will reach a danger point in the near future, it is not possible to answer except to say that it is apparently not at such a level at the present time, but one must admit the situation does contain potential elements of weakness.

Mortgage Loans Too High

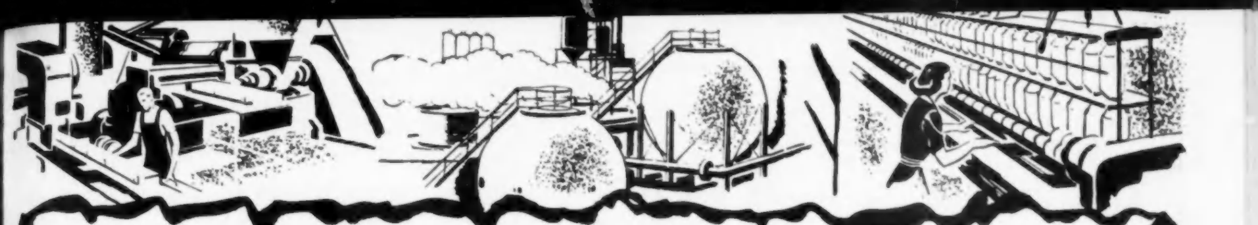
The credit situation, undoubtedly, is more strained with respect to home mortgage loans. This now stands at the record figure of close to $76 billion.

There seems to be no reason to doubt that the vast increase in home mortgages has been due to the extraordinarily liberal credit offered by the government and that this, in turn has stimulated housing activity to a probably excessive extent. Still, while eyebrows are being raised at the unprecedented amount of housing and many skeptics have expressed alarm at the possibility of an early reversal, the public apparently is paying no heed and continues to make its commitments. Until this should pose a real rather than a theoretic credit problem to institutional leaders and to the government which, apparently, it has not yet actually done, there is no reason to believe that those in a position of responsibility are going to risk a downturn in the economy in order to satisfy the demand for greater conservatism in lending, that is to say, at a time when it conceivably could affect employment. These may be imponderables but they are just as important to consider as statistics. So that while it may be admitted that mortgage loans are very, very high, it is another thing to say that something will be done about it, at least until it can be more certain that such a move will not upset the economic apple-cart.

Trouble Among the Farmers

If one is to look for a type of situation which could conceivably have a retarding influence on our current recovery, he might look (1) to the farm regions and (2) to the coming wage struggle. Each, for reasons peculiar to itself, does contain elements of trouble.

Up to the present, the decline in farm income has had no effect on the rest of the national economy but it is a question whether it will be possible to avoid indefinitely the effects of this material loss. The trouble is that the farm income drop which has been in effect for four years will probably be even steeper later on this year as the coming acreage restrictions commence to show up in important crops—wheat and cotton. The 1953 take for American wheat farmers was about $2,150,000,000 but this year will drop to as low as $1.6 billion. A difference of a half billion dollars in wheat income in two years is nothing to shrug off. While the big well-heeled farmer probably can withstand the effects without too much trouble, though his earnings are also affected, the real (Please turn to page 126)



Appraising 1955 Dividend Trends

For Groups—For Companies

By JOHN D. C. WELDON

A trend towards more liberal dividend payments to shareholders made its appearance during the first quarter of this year. Contrary to the custom of recent years, when most dividend improvements were made in the last quarter of the year, a widespread feeling of optimism has led many boards of directors to take action earlier than usual this year.

The list of companies which announced stock-splits, extras, or increased dividends was an impressive one, both in respect to the size and prominence of the company, and the variety of industries represented. The boards of many leading companies apparently found the general outlook encouraging. The breadth of the trend was a good indication that business improvement has proceeded on a wide front, and is generating sufficient momentum to carry through for the entire year, barring a brief interruption which may be caused by a Summer seasonal let-down or possibly though not probably, by strikes in some leading industries.

Figures of the Department of Commerce for the first two months of this year show that cash dividends paid out were $982 million, or 5 per cent more than in the same period of 1954. This increase, of course, reflected not only stepped-up declarations during the first two months of this year, but also the cumulative effect of increased payments to shareholders during the latter months of last year, which payments were continued at the higher rate this year.

More than sixty leading corporations listed in the accompanying table took favorable action of some kind—dividend increases, extras or resumptions—during the first three months of this year. In addition, there were approximately thirty stock dividends voted, including splits.

As against such numerous dividend improvements or stock dividends, only about a dozen companies reduced or omitted dividend payments. The ratio, therefore, was better than seven to one in favor of an improved return to shareholders. And when the size of the companies is compared, it is found that most of the companies that reduced payments were much smaller than those that increased their distributions. The leadership demonstrated in the trend towards higher payments has been excellent, when it is considered that many of the companies which raised dividends have been making payments regularly for many years, and are among the select group regarded as blue chips.

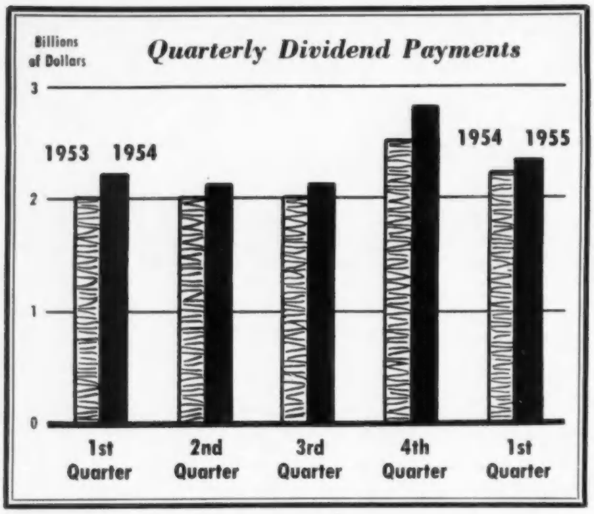
Factors Behind Dividend Rise

Many factors are contributing to the trend towards increased returns to shareholders. Here are some of the more important:

1. A fairly general improvement in earnings has made its appearance since the third quarter of last year. The end of the brief recession of the first half of 1954 has brought rapid improvement in corporate profits.

2. The ratio of earnings paid out to shareholders in the form of dividends has been subnormal for over a decade. As compared with a 60 to 70 per cent ratio of prewar years, many companies, between 1945 and 1954 paid out less than 50 per cent of their net profit. Now there is a disposition among directors to return to the more liberal dividend ratio which formerly was regarded as conservative.

3. Directors recognize that stockholders have been affected by inflation, as well as other groups, and they are taking steps to improve the stockholders'



position. In doing so, they are making equities more attractive to investors. No longer can it be said that the stockholder is the "forgotten man" in our economy.

4. The rise in prices of stocks has been attended by a slow reduction in the number of shareholders in leading corporations. This reflects buying of stocks by institutions. By voting stock-splits, shares are being brought down to levels which are attractive to small investors. This is regarded as a desirable trend from the social standpoint.

5. The cash flow resulting from accelerated depreciation charges is very large in the case of companies which have had big expansion programs since 1950. Under the tax laws, such new facilities are being written off at the rate of 20 per cent a year, throwing off cash and increasing liquid assets of corporations. Hence, many companies find it easier to increase dividend payments.

6. The end of the excess profits tax as of Dec. 31, 1953 resulted in a sharp improvement in the net profit after taxes for many companies. The full benefit of the end of the excess profits tax is now being felt, with sales volume returning to the levels of 1953 for many companies.

7. Construction programs of most companies are now on a self-sustaining basis. In some cases, this has resulted from the completion of the most costly phases of the expansion program, as in the steel industry. In other cases, continued high accelerated depreciation, plus retained earnings, is financing the entire cost of new construction. Hence, since corporations now have less concern about paying for new plants, they are in a position to raise dividends.

8. In many cases, favorable financing opportunities have facilitated increased dividend payments. In some cases, the financing has been accomplished through the sale of bonds; in other cases, common or preferred stock have been sold, thus increasing working capital and removing the last road-block to higher dividend payments.

9. Corporations are competing for the favor of investors. Where one company in an industry boosts its dividend rate, pressure increases on directors of other companies in the same industry to take similar action.

As a result of the growth of their business since 1950, some companies are in a position to give their stockholders almost annual increases on their shares. In some cases the increase first takes the form of a year-end extra. Later this extra becomes part of the regular payment, and another extra is added on.

A Fundamental Rather Than Short-Term Trend

The increase each year is usually small, and the proportion of net paid out in dividends remains relatively low, so that it can be said in appraising this trend that it is generally sound. Whether it can be continued long will depend on the state of the economy as a whole as well as on the aggressive growth plans of leading corporations. But if it is true, as the Eisenhower Administration has forecast, that gross national product will rise 50 per cent over the next five years to approximately $550 billion, owing to the growth of population and other factors, then it may be assumed that the fortunes of leading corporations will prosper proportionately.

The present trend, in short, is probably more than a transient thing. It may continue for three or four years, barring new national emergencies. In part, higher dividends will be made possible by raising the proportion of net paid out to shareholders. But the major source of the increases will be rising earnings, flowing from plant automation, and from higher sales volume.

If taxes are reduced next year, as President Eisenhower has been hoping to accomplish, a new source of better dividends will be created.

Still another potential source of higher earnings may be a resumption of an inflationary trend in prices. While competition will rule out price rises in some industries, it appears likely that in most basic industries, such as steel, copper and aluminum, producers will not only pass along any increase in labor costs, but will add something additional this year, to sweeten profits. This has been the factor which has contributed most substantially to a reduction of the steel industry's break-even point since 1945, and it is a factor which is likely to continue to operate. For example, if wages are raised this year, it can be expected that the steel industry will not only raise prices, but will add on a bit more, as an added profit factor. Many steel executives advocate such a policy, for with big investments in plants looming ahead over the next 20 years, they feel earnings should be sufficient to reflect the high cost of replacing obsolete facilities and adding new capacity.

More Stock Splits in Early Part of Year

The favorable trend of dividend payments in the first quarter will probably continue in subsequent quarters, although the figures may not be quite as good in the second and third quarters as in the first and fourth quarters. In some cases, the first quarter action this year reflected a belated recognition of the sharp improvement in earnings which took place after last August. Many directors were impressed by the profits shown in the last quarter of last year, but felt that it would be conservative to wait a few months more to make sure that the recovery had really taken hold. The rising tide of sales and earnings in January and February was all that was needed to swing the balance in favor of a dividend boost. In the second quarter, uncertainty over the labor outlook may hold some dividends down.

Some stock splits may be related to custom of most companies to hold their annual stockholders' meetings in the first four or five months of this year. A stock split has to be ratified by the stockholders. It is usually most convenient to have this ratification take place at the regular meeting of shareholders, rather than at a special meeting called later in the year. This does not mean that there will not be other stock splits in the second half; but in January and February, the timing was just right for directors to approve such a step, so that stockholders could ratify it a month or two later.

Prospects for Individual Groups

The big dividend moves in the first quarter took place in half a dozen industries: cement and other construction materials; steel, aluminum and other non-ferrous metals; oils; public utilities located in favorable growth areas; and aircrafts. In addition, a few communication and rail issues boosted dividends, and this may point to a stronger trend later in the year in these groups, when the results for the year become clearer.

In cement, aircrafts and oil, the upward surge of earnings nas been so strong, that several stock splits were accompanied by dividend boosts.

In the construction industry as a whole more companies have raised their dividends in the first quarter than in any other industry. This includes not only the cement producers, but makers of glass, gypsum, cork, and roofing materials. The assurance that there will be at least 1.3 million homes started this year, coupled with large public construction projects, means that the building industry will have an even better year this year than in 1954.

The steel industry, currently operating at approximately 95 per cent of capacity, has rarely gone through a more satisfying twelve months than that which ended March 31; in this period, the industry has demonstrated a sharp improvement in its break-even point; it has shown its ability to raise prices even when operations were at only 65 per cent of capacity; and it has held on to the increased efficiency demonstrated at lower operating rates, as production rose to near-capacity levels.

This performance led the boards of U. S. Steel, Bethlehem, Armco, Republic and other steel companies to take favorable dividend action in January. All save Bethlehem, of the group mentioned, also voted stock splits. (*Please turn to page* 122)

Dividend Changes – January to March, 1955

INCREASED DIVIDENDS

	New Rate	Previous Rate
Oklahoma Gas & Elec.	$ .40	$ .37½
Lehigh Portland Cement	.40	.30
Colgate-Palmolive	.62½	.50
Mid-Continent Pet.	1.00	.75
Rayonier Inc.	.60	.50
Louisville & Nashville	1.25	1.00
Southern Co.	.22½	.20
Phillips Petroleum	.75	.65
Southern Rwy.	.75	.62½
U. S. Steel	1.00	.75
United Gas Improv.	.50	.45
Seaboard Oil	.25	.20
Columbia Broad. "A" & "B"	.50	.40
Armco Steel	.90	.75
Armstrong Cork	.90	.75
Chicago Pneum. Tool	.37½	.25
South Car. Elec. & Gas	.22½	.20
Bristol-Myers	.35	.25
Flintkote Co.	.60	.50
Continental Oil	.70	.65
Minnesota Min. & Mfg.	.40	.35
International Nickel	.55	.50
St. Joseph Lead	.75	.50
Western Union Tel.	1.00	.75
Cutler-Hammer	.60	.50
U. S. Gypsum	1.50	1.00
Creole Petroleum	1.95	1.75
Kimberly-Clark	.45	.37½
Penn-Dixie Cement	.75	.50
Republic Steel	1.25	1.12½
American Airlines	.20	.15
Pitts. Plate Glass	.45	.35
Dresser Industries	.62½	.50
Grace (W. R.) & Co.	.50	.40
Illinois Central R.R.	.75	.62½
South. Calif. Edison	.60	.50
Crown Zellerbach	.60	.50
El Paso Natural Gas	.50	.40
Curtiss-Wright	.35	.25

INCREASED DIVIDENDS (Continued)

	New Rate	Previous Rate
Hercules Powder	$ .60	$ .55
Lone Star Cement	.50	.40
Babcock & Wilcox	.75	.50
Denver & Rio Grande West.	1.50	1.25
Borg-Warner	.50	.42½
Int. Tel. & Tel.	.30	.25
Cinn. Gas & Elec.	.30	.25

EXTRA OR SPECIAL DIVIDENDS

	Rate
Woolworth (F. W.) Co.	$ .50
Green (H. L.) Co.	.25
Douglas Aircraft	.75
American Tobacco	1.00
Southern Rwy.	1.00
Boeing Airplane	.25
Swift & Co.	.50
The Fair	.10
Sheaffer Pen	.45
Canada Dry Ginger Ale	.20
First Natl. Stores	.40
Great Western Sugar	.25

RESUMED DIVIDENDS

Crucible Steel Co. of Amer.	$ .50
Glen Alden Coal	.10
American Bosch Arma.	.25
Electric Auto-Lite	.50

INTERIM OR IRREGULAR DIVIDENDS

New York Central R.R.	$ .50
Pure Oil	.25

REDUCED DIVIDENDS

	Current Rate	Previous Rate
Pacific Mills	$ .25	$ .35
Pittsburgh Screw & Bolt	.10	.15

REDUCED DIVIDENDS (Continued)

	Current Rate	Previous Rate
Westinghouse Air Brake	$ .30	$ .40
Lorillard (P.)	.30	.40
Elliott Co.	.25	.40
Ward Baking Co.	.25	.45

OMITTED DIVIDENDS

Wilson Jones	......	$ .25
Brunswick-Balke	......	.12½
Pittsburgh Steel	......	......[1]
Diamond T Motor	......	.25
Consolidated Textile	......	.10

STOCK DIVIDENDS (Including Stock-Splits)

	Rate
Briggs Mfg.	3 for 1
Cleveland Elec. Illum.*	2 for 1
Caterpillar Tractor*	2 for 1
Beneficial Loan Corp.	2½ for 1
West Penn Elec.	2 for 1
Lee Rubber & Tire	3 for 1
Republic Pictures	5%
Corning Glass Works	150%
McGraw Elec.	100%
General Portland Cement	100%
Harbison-Walker Refract.	3%
Douglas Aircraft	50%
Houston Lt. & Pr.	5%
Columbia Broadcast. "A" & "B"*	3 for 1
General Dynamics	100%
Western Union Tele.*	4 for 1
Pure Oil*	2 for 1
Ex-Cell-O Corp.	2 for 1
Magnavox Co.	5%
Sperry Corp.	5%
Creole Petroleum*	3 for 1
Penn-Dixie Cement*	3 for 1
Republic Steel*	2 for 1
Lily-Tulip Cup*	2 for 1
Cerro de Pasco	5%
Western Auto Supply	100%
Amerada Petroleum*	2 for 1

1—2% stock.

*—Proposed.

REPEALING "FAIR-TRADE" LEGISLATION A DUD

By "VERITAS"

LABOR union headquarters are keeping alive the campaign to discredit former President Herbert Hoover by pointing up flaws in the reports issued by his commission on government organization and publicizing reverses. Congress has given some validity to the attack by rejecting the Hoover proposal that U. S. Public Health Service Hospitals be closed; Defense Mobilizer Flemming and Attorney General Brownell did likewise by blasting the Hoover report on federal lending agencies. And the unions have dug up a slogan that will stick: "We won't let Hoover put his tight collar on our necks."

WASHINGTON SEES:

Defense Secretary Charles E. Wilson may be heading into serious error in his otherwise laudable effort to stop military officers from injudicious competition with newsmen and from currying favor with segments of the press by feeding secret, if not restricted, information to a selected few.

The problem is more basic than whether a navy commander gets a fee for a magazine article on the inner workings of the nation's first atom-propelled submarine; it involves whether a paper curtain over information of public concern should be permitted—whether it is right to withhold information which must be available if wise public decisions are to be made. To stop uniformed men from converting public property (information) into a salable asset or a piece of personal good will promotion, shouldn't require a blockade of the flow of news or placement of a gag on those who know the subjects intimately. The nation lost ground in the past by too-clever "conditioning" of the public, as in the case of manufactured reports on diplomatic proceedings in the week before Pearl Harbor.

Admiral Robert Carney, Chief of Naval Operations, might have been right and could have been wrong in his appraisal of the war outlook on the Formosa Straits. Perhaps he should have refrained from the subject, at least until his superiors were informed and could not be caught off guard. But his comments couldn't change the facts and, possibly, the nation might better afford an occasional tactless act than enforced groping in the dark of an information void.

REPEAL of "fair trade" legislation which permits producers to fix resale prices for their commodities is the major recommendation of the Brownell antitrust advisory committee of 60 experts who have labored at length to bring forth a mouse. The committee reported in great detail and 400 printed pages but found little to complain about in anti-monopoly statutes or their enforcement. They decided the Miller-Tydings and the McGuire Acts conflict with historic principles of competitive merchandising and in that finding they seem far behind a series of legislative and judicial decisions.

INVOLVED is only an enabling act: congress extended to states a basic fair trade law which is of no effect unless the assemblies pass implementing legislation. Many states passed up the opportunity: others grasped it with varying results: Arkansas, Florida, Georgia, Michigan, and Nebraska voted the price control system onto the books, and state courts promptly erased it. Judicial attacks are pending elsewhere. Strangely, congress considered the law was good for every jurisdiction except the one it rules: Washington, D. C.

CONGRESSIONAL holiday will give members an opportunity to sample "back home" opinion on performances, the status, and the future of legislation, and the two-weeks layoff may result in new programming. The vacationing lawmakers went to their districts ready for trouble over failure to cut federal income taxes and wondering what compensation will be demanded to keep the peace. Best guess is: labor will demand weakening of the reciprocal trade act.

"IKE" AND MAMIE have switched voting residences from N. Y. to Penna., anticipating taking possession of their new home in Gettysburg. But, if Ike runs again, it will be years before he can settle down permanently to country life.

As We Go To Press

Administration leaders say privately that their most discouraging block in the effort to sell the General Agreement on Tariffs and Trade is the fact that Senator Harry F. Byrd of Virginia, is unwilling to accept their explanations and assurances. This is taken by them to mean that their ideas are likely to be resisted even more by those members of congress not noted for the calm, dispassionate consideration which the Virginian gives trade matters: if he cannot be brought around to the State and Commerce Department viewpoints, the cause is all but lost.

Critical comments from Byrd has set the propaganda machinery of the State Department in high gear. Pointed out is the fact that GATT is near-global in impact, yet does not essentially disturb inter-nation trade agreements in which 34 nations are a part; that GATT attempts to set up one set of procedural and substantive rules which will bring about 80 percent of the export-import business under standards. It's agreed among the diplomats that the general agreements will fail if the United States withdraws, or even if this country substantially departs. In stage-whispers, the Commerce Department suggests that this country has the better of things.

Opposition by Senator Byrd does not mark a change in Capitol Hill attitude. GATT has been under suspicion, if not under attack, from the start. Some Senators take the position that it is encroachment on the treaty-making powers of the Senate. The State Department's answer is that its legates to the Geneva meetings don't presume to bind anyone; that the U.S. Senate can ignore what is written. The result of such rejection would be retaliation justified by breach of implied guarantees to other countries.

Basic in the setup is an international clearing house on world tariffs and trades. This would be an office far below the diplomatic level. It would be ministerial in purpose: to gather and report data to all signatory countries. In this manner, each would be advised of deviations from the code, put on notice so it might take whatever steps the circumstances suggest. It would not be costly: about $50,000 would be the annual assessment against the United States. Congress will be asked to approve participation in this office, not to ratify agreements naming specific commodities, tariffs, quotas, or anything else. Ike and his predecessor, Mr. Truman, contend they are given power to do these things via the Reciprocal Trade Agreements Act -- up to the point of creating an official international office for the exchange of information. If the $50,000 annual fund were not involved, GATT might not have been referred to Congress but would have been handled administratively. Evidence in the Washington records indicates that American exporters and importers do not see harm in the idea.

Danger flags are being flown by life insurance executives who are viewing federal mortgage loan methods with concern which may grow to alarm. They've told the Veterans Administration and the Federal Housing Administration the time has arrived to take stock, lest the 30-year, no-money-down mortgage notion saps the national economy. The Federal Reserve Bank Board is worried for the same reason that plagues the insurance executives: home-building has been vulnerable in past periods of national financial stress, and it could happen again.

Yet anything done to firm the mortgage market almost invariably is followed by the protesting howl that there's need for housing in all sections of the country, that the post-war prosperity has been laid largely on dwellings, that the national economy is so strong today that there's time to act, within an area of safety, when more positive signs appear. The FRB and the insurance chiefs believe a five per cent down payment on both VA and FHA supported morotgages might have the necessary steadying

effect. It is realized that this would not mean a great deal in dollar terms, yet would make some levelling contribution there. Real value might be in scaring off the really dangerous mortgage support deals, it's cited.

As the congressional session moves on, both parties are becoming increasingly unhappy with the numerical setup: the democrats are a majority party without enough votes in either house to be certain any issue will pass on a party directive, and the republicans are so close to majority that they're expected to keep the democrats in check, and can't always do so. The November election, on analysis, shows that the democratic lead was flimsier than it appears at first glance, and could easily evaporate in a new test.

In New York State, republicans lost the governorship after 12 years by a margin of 11,125 votes in 10,437 precincts -- just a fraction over one vote to the precinct. Republican Milword Simpson was elected governor of Wyoming by the uncomfortable lead of less than two votes in each of the state's 670 precincts. There were close shaves, too, in four senatorial contests; perhaps the closest being in New Jersey where Clifford Case, republican, won by less than one vote per precinct. Rep. George Bender was elected Senator from Ohio by a majority that translates into one vote per ballot box, but republicans in Oregon and Montana lost out by the same paper-thin spread. Many House elections were determined on votes spread equally over most precincts, but dominated by a few ballot boxes.

Those who have expressed wonderment that the Bricker Amentment hasn't been showing in listings of "things to come: are assured by the Senator and his associates that it's very much alive. Furthermore, they are far more confident of its passage next year than they were during the long, losing fight of 1954. Their analysis counts Ike in as a candidate for re-election and, because of that, no longer a militant opposer of the amendment. They point out he either has to indorse it by passiveness, or endanger the election chances of 11 republican senators who supported Bricker and who come up for re-election in 1956. White House endorsement, or rejection, of them is implicit in what the President does about the amendment.

Politically, Ike cannot afford the luxury of a firm stand against something which might, but not necessarily would, abridge his treaty-making powers. Fifteen GOP senators voted against Eisenhower on that premise, and 11 of them go before the electorate next year, some of them in extremely doubtful states -- states they'd have to carry to insure Eisenhower's reurn to the White House. The 11 are: Milliken, Colorado; Welker, Idaho; Dirksen, Illinois; Capehart, Indiana; Hickenlooper, Iowa; Kuchel, California; Carlson, Kansas; Butler, Maryland; Case, South Dakota; Young, North Dakota; Bennett, Utah. And seven of them voted against censuring McCarthy!

As a practical consideration, the political family fight isn't likely to show in the election. In the last campaign, Nixon beat the bushes for republicans everywhere; the president abandoned the idea of staying out of local campaigns and became free with his indorsement. And it must be remembered that he came to the aid of the party at a time when his own election was not at stake.

The "buy abroad" germ has bitten the Defense Department and a reduction has been made in the "Buy American" price advantages on military items. Under the new policy, the armed services must award contracts to low foreign bidders provided the difference between the low foreign bid and the lowest domestic bid is 5 per cent or more. In the past, domestic companies have been given a 25 per cent price advantage over foreign producers. A bid is considered foreign if 50 per cent or more of the materials and products making up the item are of foreign origin. There are several exceptions to the new ruling, among which is that foreign bids over $10,000 may be rejected if doing so is necessary to assure domestic small business of a fair share of defense procurement.

Japan's Shaky Economic Position

By V. L. HOROTH

When last week the Secretary of State, Mr. Dulles, pleaded that his timetable would not permit him to see Japan's Foreign Minister, Mr. Mamoru Shigemitsu, the action was interpreted in Japan as "a show of displeasure by Washington with the Hatoyama Government's present policies". Mr. Dulles' excuse may have been, of course, perfectly straightforward. But it is also possible that Mr. Dulles decided to play for time. A basic disagreement on Japanese policies is reported between the Pentagon, which wants to push Japan's rearmament, and the State Department, which thinks that the shoring up of Japan's economic foundations is more important.

Then, too, the new Japanese Government of Prime Minister Ichiro Hatoyama may be less insistent on pursuing a nationalist and neutralist course. Not only may Tokyo be before long disillusioned with Peiping trade promises, but a possibility of another international payments crisis may make it more amenable to Washington's views.

Despite superficially high business activity, Japan's economic position is just as shaky as ever. With unemployment and discontent rising, the Hatoyama Government is not certain how far to pursue the present deflationary policies which, as will be seen, won for Japan a temporary respite from bankruptcy, but basically solved nothing. The long-range solution of Japan's problems depends on the successful carrying out of the six-year development program to make the country independent of American military spending and to provide jobs for the rapidly growing working population. But the carrying out of this plan without the good will and assistance of the United States is simply unthinkable.

Growth of Nationalism and Neutralism

In brief, a better understanding is needed in both Washington and Tokyo, of mutual problems and aims, if the much needed long-range economic assistance to Japan is not to be delayed too long. At present the two conservative parties, the Democrats and the Liberals, still hold the balance of power in Japan's Diet. But the socialists and other radical parties have gradually grown in strength and at present control about one third of the seats—164 out of 467. A war between the United States and Red China or a further deterioration of the economic situation could easily put the radical element into the saddle, in which case the present security arrangements with the United States would probably be promptly repudiated.

The outcome of the general election held in February really did not come as a surprise. The defeat of the pro-American wing of the conservative party (the Liberals), led by Yoshida, by the more nationalist faction led by the present Prime Minister, Hatoyama, was merely a consequence of a swing toward nationalism and neutralism that has been

Japan: Major Economic Indicators

	Commercial Banks: Loans & Discounts (Billions of Yen)	Commercial Banks: Demand Deposits (Billions of Yen)	Mining & Manuf. Output 34-38=100	Fully Unemployed (000)	Stock Price Index Aug. '46=100	Cost of Living 34-36=1	Real Wages '47=100
Dec. 1952	2490	2128	134	450	1061	266	......
1953 Q. 1	2261	2333	147		916	275	294
Q. 2	2370	2296	150	570	965	283	360
Q. 3	2518	2512	156		985	293	308
Q. 4	2671	2707	173	310	918	300	308[2]
1954 Q. 1	2696	2715	172	590	694	303	300
Q. 2	2710	2682	163	560	707	303	364
Q. 3	2786	2825	164	650	740	301	300
Q. 4	2911	3036	167	670[1]	635	295	313[2]

[1]—October. [2]—November.

building up for years.

The Japanese went more *"Japanese"* as a reaction to the postwar overdose of Westernization and Americanization. The "imports" of western ideas, customs, and social practices have been simply too difficult to digest in the short ten-year period, and all that can be hoped for is that the best of these "imports" can gradually be assimilated and combined with Japan's own institutions and traditional ways and customs. Japan has gone more *neutralist* as a natural reaction against too much dependence upon American assistance, which is now declining and which unquestionably has been subconsciously resented by the proud and patriotic Japanese people. Hence the desire to be on her own and to counter the close ties with the United States by developing closer political and economic ties with her Asian neighbors.

Closer Ties with Asian Neighbors

Basically there is nothing wrong with Japan's desire for a rapprochement and closer cooperation with the free countries of Asia. In fact, such cooperation based on intelligent use of Japanese industrial capacity and the raw material resources of the countries of Southeast Asia could go a long way toward counteracting any communist moves and increasing prosperity in that part of the world.

But before resuming a more active role in the economic development of Southeast Asia, the Hatoyama Government must first solve the problem which has obstructed Japan's normal relations with that part of the world for nine years—that of reparations. The first reparation agreement was concluded last summer with Burma, Japan agreeing to pay $200 million in goods and technical services, and to invest $50 million in joint Japanese-Burmese enterprises. Trade between Burma and Japan expanded sharply as Japan began to supply equipment for Burmese railways, power developments, and harbor installations. This agreement with Burma was infectious, and at present the Philippine and Thai delegations are in Tokyo discussing reparations. The Philippine Government has already reduced its claim from $8 billion to one billion dollars and very likely will settle for less. Thailand, like Burma, will probably accept Japanese industrial goods. The Indonesians are still asking for too much, but if agreement is reached, a real beginning could be made in the economic development of that country with Japan's aid. The only country that is persistently opposed to any settlement except on her own terms is the Republic of South Korea.

Red China Trade Moves

The real source of trouble between Washington and Tokyo is bound to be the Hatoyama Government's insistence on a freer hand in dealing with Red China and the Soviet Union. The Soviet Union has already accepted Japan's bid for the normalization of their mutual relations, and peace negotiations are expected to take place on neutral ground—the United Nations building in New York. Japan's terms are expected to include the return of war prisoners and of the southernmost part of the Kurile Islands.

Japan's move toward normalizing her relations with Peiping comes at a time when relations between the United States and Red China are particularly delicate. There is apparently little sympathy for a U. S. side of the argument in Tokyo. Premier Hatoyama has said in no uncertain terms to the New York Times roving correspondent, C. L. Sulzberger, that he wants to do business with both Chinas and that the Japanese people don't want war and that "they particularly don't want a war over the offshore islands."

Moreover, the widening of Japan's trade relations with Red China is almost certain to involve recognition of the Peiping regime and demand for the liberalization of the embargo on the export of strategic goods. Japanese traders are not blind to the fact that Red China's economic structure is changing and that the old trade relationship cannot be fully restored. But they believe that if Red China is offered such products as industrial machinery and equipment, tinplate, structural steel, farm machinery, and nonferrous metal products, she will be willing to scrape together enough coking coal, iron ore, and industrial raw materials, such as salt and tin, for export to Japan. Most of these products Japan is not only buying for dollars, but is bringing home half way around the world.

In 1954, Japan's exchange of goods with the communist controlled mainland of Asia came to about $40 million. The most optimistic among the Japanese traders believe that this exchange of goods could be quadrupled to about $150 million—within two or three years. In comparison, Japan bought in 1954 about $677 million worth of goods from the United States and sold this country about $280 million worth of Japanese products.

There is, of course, a possibility that the Hatoyama Government is using the resumption of Japan's trade with Red China as a sort of leverage to get more American economic assistance and better treatment for Japanese products in the American market.

There is also the matter of rearmament that needs to be clarified. Washington is anxious to speed up the rearmament of Japan, a quite natural attitude in view of the Formosa situation. She is prodding Tokyo to spend at least $250 million on arms this year, some $40 million more than last year. According to the Pentagon, Japan has been drag-

ging her feet when it comes to rearmament, and spending only about 2½ per cent of her national gross product on arms when she can well afford to spend much more, judged by the Philippines, Korean and Formosan performances.

But the Hatoyama Government is adamant. It argues that the country is spending enough for her self-defense and that the anti-military element in the Diet will never permit a boost in defense costs at the expense of social services. In other words, if the United States wants to speed up Japan's armament, she will have to pay for it.

The Japanese reaction to westernization in politics has been accompanied by a "resense course"—a term much in use in today's Japan—in business. There is a trend toward "paternalism" in business and toward more government control. The old family business enterprises—the Zaibatsus—which were broken up during the early years of the American occupation, are coming back in full force. However, the companies that are joining the new Mitsui, Mitsubishi, Sumitomo, and other combines are not quite the same ones that belonged to them before the war. The Hatoyama Government regards with disfavor what it calls "cut-throat" competition in the domestic market, and hence is ready to permit the organization of cartels.

Passing of the External Payment Crisis

When, last summer, we commented in these pages on the seriousness of Japan's balance of payments crisis, the country's maneuverable gold and dollar reserve was down to about $500 million. That gave Japan about a year of grace to make good.

The unexpected did happen. The austerity program, which the Yoshida Government launched in the winter 1953-54 and which included reducing budget expenditures, tightening controls over credit and money, and sharp reduction of imports, finally began to work. Thanks to increased American military spending, a drastic cut in imports and a rise in exports, Japan built up by the end of 1954 her maneuverable gold and dollar reserve to almost $800 million and was still adding to it during the early months of this year. The actual reserve, as will be seen from the accompanying table, was almost $1 billion at the end of January 1955—the figure includes some temporarily incollectible (blocked) accounts in Korea and Indonesia.

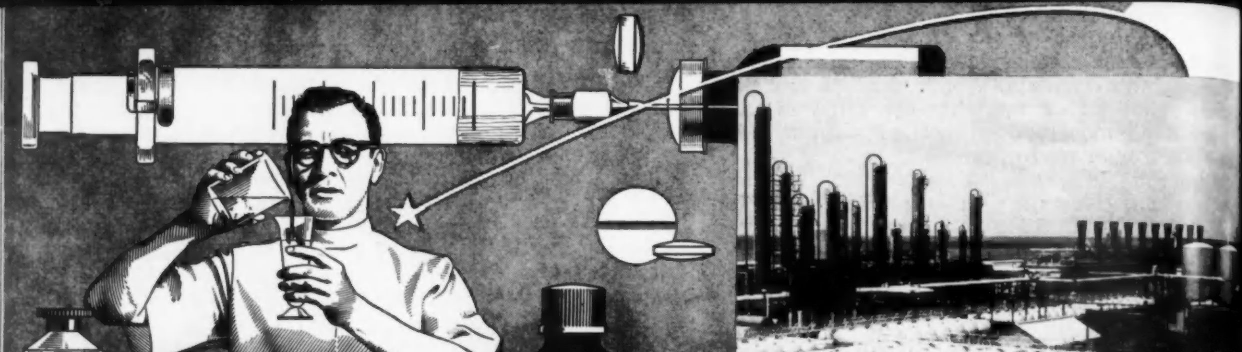
But the international payments crisis was not achieved without sacrifice. There has been some recession in industrial and mining activity, though not a serious one because the purchasing power of the populace still remains high. The ranks of the unemployed have almost doubled, and many small and weak enterprises have gone bankrupt. The reduction of imports has been drastic, and there is reason to believe that it has led to the depletion of inventories, especially of consumer goods. Imports from the United States, for example, declined during the Sept.-Nov. period to the annual rate of only $460 million. The imports during the first half of 1954 were at the annual rate of $860 million.

There is also some question as to how the Japanese managed to increase their 1954 exports by some $375 million to $1,530 million. The increase was most notable in the case of textiles, which rose in 1954 some 40 per cent in value, chemicals which rose about 10 per cent, and iron and steel products which were about 20 per cent higher. There is a widespread belief among Japan's competitors that sales abroad have been encouraged by the so-called "link system." Under this system the Japanese exporter is permitted to sell abroad at no profit and even at a loss. The Government then assists him in making up this loss. For example, it may enable him to buy such commodities as sugar, cotton, or bananas, on which he can realize large profits in the domestic market. Dorothy Brandon of the New York Herald Tribune Tokyo staff describes the "link" system as follows:

This is how the link system worked in a recent "sale" of locomotives produced in Japanese plants. This equipment was manufactured at an outright loss, calculated at foreign exchange, at $300,000. Upon a tacit understanding between the Ministry of International Trade and the locomotive producers that the deficit would be offset by another trade deal, the maker accepted the "lost cost" price. The Ministry then approached importing oil companies, asking for a "contribution" to make up the locomotive deficit. All but one of the five oil companies contacted refused to consider underwriting the loss. The firm that agreed to pick up the $300,000 tab was compensated with an increase in its fuel import allocation and was able to dispose of added quantities of crude oil at a profit reported to be "enormous" that more than took care of the (Please turn to page 132)

Japan: Receipts and Payments of Foreign Exchange and Gold and Foreign Exchange Holdings
(in Millions of U. S. Dollars)

	Foreign Exchange Receipts				Foreign Exchange Spending			Excess of Receipt (+) or payments (—)	Gov. Gold & For. Exchange Holdings
	Visible Exports	U.S. Spending	Other Items	Total	Visible Imports	Other Spending	Total		
1953 Qr. 1	267	178	34	479	475	46	621	— 41	947
Qr. 2	289	203	40	532	574	56	630	— 98	865
Qr. 3	285	223	36	544	464	55	519	+ 25	890
Qr. 4	314	212	38	564	587	56	643	— 79	844
1954 Qr. 1	355	131	34	520	617	65	682	—162	689
Qr. 2	352	173	31	556	517	54	572	— 15	683
Qr. 3	376	197	28	601	440	66	506	+ 95	793
Qr. 4	447	154	30	631	386	62	449	+182	971
1955 Jan.	141	41	10	192	127	28	156	+ 35	991
Feb.									



The Intensive Drive in the
CHEMICAL INDUSTRY

By RICHARD COLSTON

For consistent growth the chemical industry is difficult to match. Discoveries in research laboratories have been so prolific and appealing to the public that manufacturers have steadily broadened their market. In addition to an amazing number of wonder drugs, scientists in chemical research have brought to light an array of useful and attractive consumer goods products in recent years. It probably would be fair to say that hardly more than half of major contributors to earnings of the average chemical company had been on the market as recently as ten years ago.

Not only is it one of the most rapidly expanding industries, but chemical output ranks high among all industry in dollar value and certainly is one of the most profitable on basis of capital invested. Production last year is estimated to have approximated that of 1953 at about $20.3 billion. Allowing for products of a chemical nature counted in sales of representatives of other industries, total value for the year of shipments may have ranged upward of $20.5 billion. Incidentally, these estimates do not include pharmaceuticals, some of which had their origin in synthetic chemical developments. A discussion of the drug industry will appear later in this series of industry surveys.

So rapid has been the progress of major chemical companies that others have been drawn into the field. It has been natural, of course, for leading petroleum producers to carry their manufacturing process a step further in converting refined products to ammonia or polyethelene or to other petrochemicals that have enjoyed excellent demand and have commanded attractive profit margins. In addition, large consumers of chemicals in the pulp and textile industries, for example, have explored the possibility of engaging in production of their own raw materials, thus assuring themselves of an uninterrupted source of supply and also presumably obtaining materials at more reasonable prices.

Although this so-called vertical integration on the part of large consumers of chemicals is not expected to pose a serious problem, it does suggest the attractiveness from a profit viewpoint of production in the chemical field and raises the question of possible overproduction. Managements of representative companies have shown some apprehension over the threat of loss of important markets, but they have publicly assured investors that the growth in population may be expected to create the need for larger supplies of chemicals almost as rapidly as additional facilities are constructed.

That uneasiness over possible adverse effects of production excesses probably is unwarranted seems to find support in the industry's 1953 experience. With industrial activity trending downward and inventories being curtailed, numerous chemical products showed indications of becoming too plentiful.

Comparative Earnings and Dividend Records of Leading Chemical Companies

	Earnings Per Share 1952	Earnings Per Share 1953	Earnings Per Share 1954	Dividends Per Share 1952	Dividends Per Share 1953	Dividends Per Share 1954	Recent Price	Div. Yield†	Price-Range 1954—to Date
Air Reduction	$ 2.25	$ 2.06	$ 1.86	$ 1.40	$ 1.40	$ 1.40	29	4.8	33¼- 22½
Allied Chemical & Dye	4.55	5.10	4.80	3.00	3.00	3.00	96	3.1	102 - 72½
American Cyanamid	3.07	3.15	2.95	1.50	2.00	2.00	50	4.0	55¾- 43⅜
Atlas Powder	3.21	4.03	4.06	2.00	2.00	2.00	52	3.8	58¼- 34¾
Blockson Chemical	1.81	2.01	2.52	.45	1.20	1.40	35	4.0	38¼- 27⅞
Columbian Carbon	2.69	3.22	2.83	2.00	2.00	2.00	46	4.3	53¼- 41¾
Commercial Solvents	.52	1.01	1.01	1.00	1.00	1.00	22	4.5	26¾- 15¼
Diamond Alkali	2.18	2.39	2.21	1.50	1.50	1.50	35	4.2	40⅞- 27⅜
Dow Chemical	1.65	1.58	1.42	.80[3]	1.00[3]	1.00	46	2.1	49¼- 33⅝
Du Pont	4.70	4.94	7.33	3.55	3.80	5.50	169	3.2	176 -104⅛
Food Machinery & Chemical	3.41	3.67	3.90[1]	2.00	2.00	2.00	50	4.0	53¼- 37½
Freeport Sulphur	3.05	3.56	4.20	2.00	2.00	2.50	75	3.3	79 - 45½
Hercules Powder	4.03	4.19	5.10	3.00	3.00	3.00	107	2.8	110 - 68
Heyden Chemical	.65	.69	.20	.87½	.50	.50	16	3.1	18⅞- 14⅜
Hooker Electrochemical	.97	.96	1.20	1.00	1.00	1.05	34	3.0	35⅜- 19
International Minerals & Chemical	2.90	2.87	2.44	1.60	1.20	1.60	35	4.5	42½- 28⅝
Jefferson Lake Sulphur	1.65	2.02	3.01	1.00	1.05	1.30	33	3.9	39 - 30½
Koppers Company	4.29	4.51	2.77	2.50	2.50	2.50	45	5.5	50¾- 29¾
Monsanto Chemical	4.29	4.90	4.39	2.50	2.50	2.50	112	2.2	118 - 79⅝
Nopco Chemical	1.67	1.88	2.66	1.20	1.35	1.40	28	5.0	36¾- 17¾
Olin Mathieson Chemical	3.44[2]	2.77	3.02	2.00	2.00	2.00[3]	53	3.7	60¼- 38
Pennsylvania Salt Mfg.	2.59	2.50	2.73	1.70	1.70	1.85	47	3.9	53 - 41
Pittsburgh Coke & Chemical	2.12	2.63	.71	1.25[3]	1.25[3]	1.00	23	4.3	25½- 16¾
Rohm & Haas	5.73	6.73	12.52	1.60[3]	1.60[3]	1.60[3]	350	.4	350 -148
Spencer Chemical	3.61	4.01	4.20	2.00	2.20	2.40	63	3.8	74⅞- 55½
Tennessee Corp.	2.19	2.29	3.66	1.15[3]	1.00[3]	1.27½	48	2.6	49⅞- 20¼
Texas Gulf Sulphur	2.51	2.45	3.05	2.33	1.66	1.83	40	4.5	42⅝- 26⅛
Union Carbide & Carbon	3.41	3.55	3.10	2.50	2.50	2.50	85	2.9	87⅞- 70⅝
United Carbon	3.01	3.26	3.90	2.50	2.50	2.50	48	5.2	53¼- 44½
U. S. Potash	2.90	2.35	2.76	2.00	1.80	2.00	33	6.0	35½- 27
Victor Chemical	1.39	1.76	2.02	1.05	1.15	1.30	33	3.9	37⅞- 26⅞
Virginia-Carolina Chemical	4.81	5.12	4.26	......	......	......	49	....	50¾- 36⅜

†—Based on 1954 dividend. [1]—Estimated. [2]—Prior to Olin merger. [3]—Plus stock.

Air Reduction: Increased demand for industrial gases in reflecting recovery in metal-working industries contributing to rebound in earnings for second largest factor in field. (B)

Allied Chemical & Dye: Growing emphasis on diversification in finer chemicals and wider profit-margin products promises to strengthen competitive position of this major factor. (A)

American Cyanamid: Steadily increasing emphasis on antibiotics and other drugs stemming from chemicals finding reflection in improved earnings. Competitive position strong. (B)

Atlas Powder: Rising importance of plastics and chemically coated containers contributing to broader market and wider margins. Earnings aided by vigorous product development. (B)

Blockson Chemical: Rapid expansion in consumption of detergents accounts for strong growth in sales of this company's sodium phosphates and affiliated chemical raw materials. (B)

Columbian Carbon: Increasing emphasis on development of natural gas resources and enlargement of markets compensate for relatively static demand for carbon black and printing ink. (B)

Commercial Solvents: Progress in development of new drugs and nitroparaffins holds promise of reducing dependence on less profitable products derived from fermentation of alcohol. (B)

Diamond Alkali: Diversification in petrochemicals expected to bolster competitive position in alkalies and other heavy chemicals. Addition of new facilities likely to enlarge sales volume. (B)

Dow Chemical: Strong growth in light metals (magnesium) as well as in plastics contributing to progress, which has been temporarily obscured by high taxes and rapid amortization. (A)

DuPont (E. I.): Benefits of economies inherent in large volume helps explain steady progress of this industry leader, which also enjoys large investment income from General Motors. (A)

Food Machinery & Chemical: Aggressive sales promotion and product development contributing to earnings progress in serving large western agricultural market with modern machinery. (B)

Freeport Sulphur: High rate of industrial activity accounts for promising outlook for increased volume. Wider margins help offset increased production costs from new sources. (B)

Hercules Powder: Concerted development of products from terpene and cellulosic materials has diminished dependence on powder and has widened margins. Capable management spurs growth. (A)

Heyden Chemical: Small producer of synthetic organic chemicals endeavoring to develop new products that may replace anti-biotic lines sold two years ago. Earnings trend uncertain. (C)

Hooker Electrochemical: Program of diversification with emphasis on profitable end products in plastics gaining momentum with indications of further progress in lifting profits. (B)

International Minerals & Chemical: Growing need for plant food to increase crop yields expected to sustain progress in basic chemicals. Diversification helps widen profit margins. (B)

Jefferson Lake Sulphur: Enlargement of output from new petroleum recovery plant in Wyoming should sustain sales volume as high rate of industrial activity spurs consumption. (B)

Koppers Co.: Expansion in resins and plastic expected to compensate for less promising outlook in coke oven construction operations. Further emphasis on diversification likely. (B)

Monsanto Chemical: Evidence of aggressive development of diversified line of wide-profit-margin chemicals found in impressive earnings progress and rise of competitive position. (A)

Nopco Chemical: Beneficiary of strong trend toward greater utilization of chemical materials in industrial items, such as leather, paint, textiles, etc. Vitamins an important product. (B)

Olin Mathieson Chemical: Wide diversification attained through consolidations that promise significant progress in drugs, petrochemicals and agricultural items as well as ammunition. (B)

Pennsylvania Salt: Aggressive move to broaden activities in basic chemicals holds promise of growth in specialty products. Strong competitive position in salt products. (B)

Pittsburgh Coke & Chemical: Encouraging progress achieved in diversification, but operations are still largely dependent on demand for pig iron and coke, which shows uptrend. (B)

Rohm & Haas: Outstanding progress in research and development of new products accounts for above-average growth in sales and earnings. Economies stemming from volume aid. (A)

Spencer Chemical: Rapid enlargement of facilities and emphasis on diversification in anhydrous ammonia and polyethylene derived from natural gas point to earnings improvement. (B)

Tennessee Corp.: Growing demand for sulphuric acid in industry accounts for progress. Outlook favorable for other products such as copper, iron sinter, and sulphur chemicals. (B)

Texas Gulf Sulphur: Large reserves of raw materials place this major producer in strong competitive position. Industrial upturn holds promise of earnings recovery in 1955. (B)

Union Carbide & Carbon: Although dependent in some degree on steel industry, this leader is well diversified, especially in plastics, chemicals derived from coal and titanium. (A)

United Carbon: Development of natural gas resources becoming more important as earnings factor than carbon black, which shows no exceptional growth potential at moment. (B)

U. S. Potash: One of smaller factors in production and distribution of potash used as essential ingredient of fertilizer. Supplies manufacturers of soap and paint. (C)

Victor Chemical Works: Rapid expansion in detergents helps explain growth in volume of phosphorous based chemicals. Outlook regarded as promising for sales of materials this year. (B)

Virginia-Carolina Chemical: Encouraging development of chemicals other than fertilizer paved way for sale of insecticide facilities and strengthening of financial position. (B)

RATING: (A)—Sound commitment for long-term appreciation. (B)—Moderately attractive but more speculative than (A). (C)—Unattractive.
***—New purchases should be correlated with market advices of A. T. Miller appearing in each issue.**

This situation failed to bring about price-cutting, however, for manufacturers generally curtailed output until a balance between supply and demand reappeared. For the most part, the industry's price structure remained solid last year and reasonably satisfactory margins were obtained.

Not all companies registered improvement in earnings, but results could have been much worse. Lower sales volume and narrower margins trimmed profits in many instances. Elimination of excess profits taxes last year provided a cushion, however, for many leading factors and introduction of new products aided still others to counteract adverse circumstances. The recovery in motor car production aided fourth quarter results and bolstered earnings for several concerns that needed an upsurge in the late months of 1954 to lift earnings for the year.

Although variations that characterized 1954 operations have continued thus far this year, all indications point to encouraging gains in the March quarter. Figures that will begin appearing shortly are expected to disclose continuation of the upturn that developed in the second half of last year. Companies supplying chemicals to the automotive industry, especially for paints, lacquers, plastics, etc., should report substantial progress. Others serving the steel industry with industrial gases, etc., apparently have fared well.

The chemical industry is not lacking in problems. Aside from the threat of keener domestic competition from new plants, some apprehension has been expressed over the possibility of increased imports as a consequence of lowering tariff barriers as the foreign chemical industry speeds up its recovery. What the outcome of this development holds in store is difficult to determine. The threat of overproduction looms as a hazard, especially if large consumers follow the example of a few who have embarked on projects of supplying their own essential materials.

On the other hand, curtailment of plant construction programs should permit channeling of a larger proportion of earnings to stockholders. Introduction of new products holds promise of stimulating sales. Modernization of plant facilities tends to counteract rising labor costs and keeps products on a competitive price level. As depreciation charges begin to diminish in another year or two on facilities constructed in the Korean crisis, earnings should expand rapidly.

As for the threat of foreign competition, there appears to be considerable reason for assurance—at least, fo rthe time being. Domestic producers still enjoy a distinct advantage in costs despite low labor rates abroad. Plants in this country are more completely mechanized and efficient. Imports of drugs have increased substantially in recent years, but the threat for synthetic chemicals seems less evident at the moment. As a matter of fact, leading chemical companies report fairly substantial volume of exports.

Over the longer term, the German chemical industry may become a more vigorous competitor. Thus far the Bonn Government's plants have not recaptured their old-time share of the world market. Meantime, U.S. producers have become far stronger than they were 15 years ago. Presumably the German chemical industry must continue to depend primarily on coal, while American manufacturers of chemical products have the choice of coal or natural gas, relatively cheaper raw materials. Despite the possibility of tariff cuts if the reciprocal trade treaty is extended for an additional three years, domestic chemical producers most likely would be able to maintain their strong competitive position.

In pondering the problem of growing competition from within and from without, it is well to observe that rising population trends hold promise of steadily enlarging markets for chemical products. Reviewing the major outlets for chemicals — fertilizer, synthetic fibers, pulp and paper, paints, petroleum refining, glass and other chemicals—it may be noted that consumer goods account primarily for uses of chemicals. Hence, all indications point to steady expansion of markets. The decision several months ago on the part of Weyerheauser Timber to produce a part of its chlorine requirements was regarded as an indication of what might be expected in other industries in the way of integration of production facilities.

Industry authorities doubt that this move points to a general trend, however, for not many managements have the financial backing that permits spread of activities into diversified operations. Moreover, experience has shown that raw materials such as chlorine can be purchased from normal sources more economically than they can be produced by inexperienced organizations.

Some petroleum producers and refiners have un-

Comparative Statistics Comparing

Figures are in million dollars except where otherwise stated.	Allied Chemical & Dye	American Cyanamid	Atlas Powder
CAPITALIZATION:			
Long Term Debt (Stated Value)	$200.0	$108.2	$4.7
Preferred Stocks (Stated Value)	....	$61.3	$5.1
No. of Common Shares Out. (000)	9,105	8,722	589
TOTAL CAPITALIZATION	$245.0	$256.8	$21.6
INCOME ACCOUNT:			
For Fiscal Year ended	12/31/54	12/31/54	12/31/54
Net Sales	$530.7	$397.5	$57.6
Deprec., Depletion, Amort., etc.	$31.6	$23.6	$1.8
Income Taxes	$31.5	$24.0	$3.0
Interest Charges, etc.	$7.4	$3.9	$.1
Balance for Common	$43.0	$25.7	$2.4
Operating Margin	14.0%	12.0%	9.9%
Net Profit Margin	8.1%	6.8%	4.5%
Percent Earned on Invest. Capital	11.4%	8.6%	9.1%
Earned Per Common Share*	$4.73	$2.95	$4.06
BALANCE SHEET:			
Fiscal Year ended	12/31/54	12/31/54	12/31/54
Cash and Marketable Securities	$99.1	$141.5	$5.4
Inventories, Net	$72.9	$72.9	$7.5
Receivables, Net	$45.0	$47.6	$7.7
Current Assets	$217.0	$262.1	$20.9
Current Liabilities	$71.4	$77.5	$7.8
Working Capital	$145.6	$184.6	$13.1
Fixed Assets, Net	$438.7	$213.1	$20.4
Total Assets	$688.8	$499.9	$42.0
Cash Assets Per Share	$10.88	$16.23	$9.20
Current Ratio (C.A. to C.L.)	3.0	3.4	2.6
Inventories as Percent of Sales	13.7%	18.3%	13.1%
Inventories as Pct. of Cur. Assets	33.6%	27.8%	36.5%
Total Surplus	$331.5	$164.4	$12.1

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

the Position of Leading Chemical Companies

Commercial Solvents	Diamond Alkali	Dow Chemical	DuPont	Hercules Powder	Hooker Electro-chemical	Monsanto Chemical	Olin Mathieson Chemical	Rohm & Haas	Spencer Chemical	Union Carbide & Carbon
$25.0	$25.0	$247.5	....	....	$20.0	$96.7	$153.2	$5.6	$25.0	$420.0
....	$11.6	$30.3[1]	$238.8	$9.6	$14.1	$15.0	$23.5	$6.1	$7.7	....
2,636	2,264	22,651	45,488	2,684	2,961	5,270	10,557	973	1,124	28,952
$31.6	$59.2	$391.1	$466.9	$25.4	$48.9	$219.7	$231.7	$32.2	$39.5	$632.6
12/31/54	12/31/54	5/31/54	12/31/54	12/31/54	11/30/54	12/31/54	12/31/54	12/31/54	6/30/54	12/31/54
$51.6	$93.5	$428.2	$1,709.2	$194.7	$43.7	$341.8	$470.1	$132.6	$34.1	$923.6
$3.3	$7.1	$64.4	$112.7	$10.2	$3.7	$23.2	$17.3	$6.4	$2.7	$93.7
$2.3	$4.8	$24.4	$245.4	$17.0	$4.2	$18.8	$26.2	$15.4	$6.3	$82.3
$.9	$.9	$10.6	....	....	$.8	$3.3	$5.3	....	$.9	$11.9
$2.6	$5.0	$32.2	$333.8	$13.7	$3.9	$23.0	$33.2	$12.1	$4.9	$89.7
9.8%	12.4%	14.2%	28.4%	15.7%	19.0%	13.2%	13.2%	21.1%	36.9%	17.4%
5.1%	5.9%	7.8%	20.1%	7.2%	9.5%	6.9%	7.2%	9.3%	15.5%	9.7%
7.0%	8.1%	10.0%	19.2%	15.6%	10.4%	10.0%	13.6%	18.4%	15.9%	13.1%
$1.01	$2.21	$1.42	$7.34	$5.10	$1.20	$4.39	$3.02	$12.52	$4.20	$3.10
12/31/54	12/31/54	5/31/54	12/31/54	12/31/54	11/30/54	12/31/54	12/31/54	12/31/54	6/30/53	12/31/54
$12.2	$7.0	$130.1	$327.5	$27.0	$5.3	$29.4	$54.7	$18.0	$25.0	$188.3
$11.6	$16.0	$82.7	$205.9	$26.7	$7.1	$58.3	$121.5	$16.8	$1.8	$245.7
$8.5	$10.4	$59.9	$150.2	$17.0	$4.5	$38.7	$45.6	$12.8	$2.2	$119.4
$32.4	$34.2	$272.8	$693.7	$70.8	$17.6	$126.5	$229.8	$48.5	$29.1	$553.5
$6.6	$11.9	$122.7	$124.8	$28.7	$3.6	$34.3	$55.0	$23.7	$10.1	$156.9
$25.8	$22.3	$150.1	$568.9	$42.1	$14.0	$92.2	$174.8	$24.8	$19.0	$396.6
$35.7	$67.8	$418.4	$1,356.5	$62.4	$44.6	$209.5	$199.8	$45.7	$38.1	$675.5
$70.5	$105.2	$704.8	$2,747.4	$135.2	$63.4	$376.5	$619.8	$96.5	$68.2	$1,251.6
$4.65	$3.12	$5.75	$7.20	$10.07	$1.79	$5.59	$5.19	$18.58	$22.25	$6.50
4.9	2.9	2.2	5.5	2.4	4.9	3.7	4.1	2.4	2.8	3.5
22.5%	17.1%	19.3%	12.0%	13.7%	16.3%	17.0%	25.8%	12.6%	5.4%	26.6%
36.0%	47.0%	30.3%	29.6%	37.7%	40.5%	46.0%	52.9%	34.6%	6.4%	44.3%
$30.8	$33.9	$189.7	$1,321.5	$63.7	$10.9	$193.8	$172.6	$41.5	$18.5	$461.6

1—Called for redemption 10/15/54.

dertaken construction of anhydrous ammonia plants to make chemicals from petroleum. This expansion in chemicals is not so strange for a petroleum concern, however, and would tend to bring in a measure of competition. Nevertheless, petroleum companies are hardly likely to undertake ventures that do not promise to return a profit. Therefore, it would seem likely that a petroleum concern would survey closely all market potentialities before venturing into the ammonia business simply to provide another outlet for its crude supplies.

In the long run, development of new products from laboratory research holds promise of speeding the growth of established concerns in this business. Records indicate that for every dollar devoted to research, a chemical management may count on five times as much in sales volume. Hence, with consumer income maintaining a steady uptrend, there is a strong incentive to enlarge research activities and build up sales of products affording wider profit margins because they have novelty value and market pre-eminence.

Competition for established chemical companies may develop in another area now that several large rubber companies have acquired title to the large government owned butadiene plants, which have been producing synthetic rubber from petroleum products. These plants are ideally situated to broaden their activities in man-made petrochemical products.

Thus it may be seen that the chemical industry today is not limited entirely to the popular concerns long identified with organic chemicals, but actually embraces virtually all major integrated petroleum producers as well as the large rubber manufacturers.

Looking to the near term, investors cannot disregard the threat of overproduction and keen competition. Spurred by pressure from Washington to put facilities in shape to meet an international crisis, the industry has been enlarging plants in all sections of the country. The tremendous success of anhydrous ammonia producers naturally attracted outsiders into the field. As a result of a combination of circumstances, the industry has just about finished a huge expansion program that assures enlargement of productive facilities to a point where all possible military and peacetime requirements can be met. In petrochemicals, the goals set for the industry are destined to be reached this year.

Development of new markets for chemical products, however, promises to ease threats of excessive output. Population growth is almost certain to obviate the danger of excessive supplies. The Stanford Research Institute has estimated, for instance, that chemical sales by 1960 will range from 150 to 200 per cent of the 1952 volume.

Illustrative of the trend toward broadening markets for chemicals is the aggressive expansion of consumer goods fashioned (*Please turn to page* 118)

DIVERGENT PROSPECTS FOR TWO COMPANIES IN EACH OF SIX INDUSTRIES

By J. C. CLIFFORD

In this comparative study of two companies in each of six industries, we have purposely selected companies which bear an unusually close resemblance to each other. In several cases, as in the railroad and utility groups, the companies operate in the same general territory. Hence, as in these instances, a genuine basis of comparison is afforded. The same advantages in comparing virtues, or lack of them, are obtained with respect to the other groups, each pair being set off from other members of the general group, in a distinctive way.

These similarities, as well as any differences which exist, are described in the accompanying text. We believe holders of these securities will be interested in the method of presentation and it should be of value to intending investors. A statistical review will be found in the accompanying table.

(1) RAYON GROUP

Rayon manufacturers, wrestling with overproduction of staple lines and weak price structures, in 1953, the effects of which were lower 1954 sales and earnings, have begun to see brighter prospects for 1955. This optimism is based on the corrective influences that first became evident toward the end of last year and which were bolstered by increased demand and better rayon textile yarn prices in the 1955 first quarter. On the other hand, while there is a likelihood that some further improvement in rayon textile yarn consumption may be seen, shifts in consumer fabric preferences and greater competition from natural and other synthetic fibers have deprived rayon as a textile material of the growth potentials ascribed to it a few years ago. Both American Viscose Corp., and the Celanese Corp., ranking first and second in size respectively in the industry, have taken cognizance of this situation.

In contrast, there appears to be an increasingly broader market for rayon staple, the largest producer of which is the American Viscose Corp. Celanese Corporation of America, the second largest of the rayon companies, moving along somewhat similar lines, has achieved greater diversification, including among other products, its new fiber "Arnel", introduced late in 1954 and given wide acceptance by the textile industry. The relative position of these two largest companies in the industry is set forth as follows:

American Viscose's sales last year dropped to $217.2 million from $228.2 million in 1953, and net earnings dipped from $12.3 million, or $2.74 a share for the latter year to $10.5 million, equal to $2.31 a share for 1954. Accounting for lower 1954 volume and net was smaller shipments of rayon textile yarns as well as reduced demand for rayon tire yarns, the latter reduction reflecting curtailed passenger car output by the automotive industry. In contrast, however, rayon staple shipments were above the previous year by about 35 per cent, but at lower prices, while the cellophane division operated all through the year at capacity to meet the growing demand for this material for use in food packaging, as wrapping for dry goods, and a steady widening list of variety merchandise.

Last year was also a notable one for Viscose with the adoption of the Tufton Plan, named after Viscose's Tufton rayon, and setting up a quality code for rayon carpet manufacturers. A number of prominent carpet mills have already joined the plan and by the end of 1954, the annual rate of consumption of rayon staple used in rayon tufted rugs and carpet reached approximately 50 million pounds, compared with about 9 million pounds in the previous year.

Rayon staple is also finding an increasing number of uses in other fields. The blanket industry has become an important consumer and industrial applications are steadily expanding, as is also its high strength filament rayon that is being used increasingly for reinforcing paper, corrugated paper, paper box board, rubber hose and in transmission belting.

A new Viscose product, Filastic, now in limited

pilot plant production, is expected to develop a broad market among manufacturers of cushion inner soles, carpet backing, surgical bandages, rainwear, industrial belting, and other allied products. The Chemstrand Corp., jointly owned by Viscose and Monsanto Chemical Co., is well on its way toward expanding nylon production from 50 million to 58 million pounds annually.

Good growth prospects, heightened by Viscose's increasing diversification, warrant holding the common stock as a long-range semi-investment. While coverage for the current $2 a share annual dividend is not impressive, it is likely that this rate will remain, nevertheless, especially since earnings for current year should provide wider dividend coverage. At recent market price of the common stock around 46 the yield is 4.3 per cent.

Celanese Corp. of America, reflecting the unfavorable conditions prevalent in the market for rayon textile yarns in 1953 and through the greater part of last year, experienced a drop in net sales from $165.9 million and net earnings of $10.7 million for 1953, to 1954 net sales of $147.6 million and net income of $6.6 million. The decline is more graphically illustrated by 1954 operating income of $9.3 million which was 6.3 per cent of sales, contrasting with the previous year's operating income of $19.9 million, or 12.0 per cent of sales for that year, the net result so far as the common stock is concerned, being a decline from $1.01 a share earned for 1953, to 32 cents a share for last year.

The upturn in demand for acetate yarns and fabrics in the 1955 first quarter indicates some improvement in this year's sales volume for this output and with increased prices, a wider profit margin. The picture is further brightened by the potentials of the company's Arnel, the new fiber it brought out late in 1954 and which was given a broad reception by the textile industry. Meanwhile, Celanese has adopted its Fortisan process, primarily devised for fine yarns, to the production of heavy denier yarns to meet the increasing demand for high tenacity fibers in the manufacture of heavy power transmission belts, high pressure hose and other industrial applications. According to present schedules, production of this new yarn to be known as Fortisan-36, will start later this year at the Rome, Ga., plant.

The company's chemical and plastics divisions are also expected to continue the gains registered in 1954. Last year, several new products were added to the chemical line, and despite severe competition and lower prices, chemical products showed gains in both unit and dollar sales volume. Among other products, the plastic division is now producing polyethylene film and sheets and has recently increased facilities to provide for the expanding market for these materials. Prospects are further enhanced by the high operating rate of foreign affiliates.

Improved near-term outlook and longer-range growth potentials particularly in industrial fibers, as well as chemicals and plastics warrant retention of Celanese common stock. The top-heavy capital structure, however, may act as a drag on earnings available for common dividends for which reason there does not appear to be any basis for anticipating an early increase in dividend payments on this issue.

(2) FOOD STORE CHAINS

Several factors continue to exert their influence on the leading food store chains, promising increased sales volume and improved profit margins. The forces contributing to this favorable outlook include the high rate of national disposable income; a rising living standard; increasing population; modern food packaging that is attracting greater patronage to the modern supermarket, and the opening of such units in the constantly increasing number of suburban shopping centers as well as in the metropolitan areas. Two of the outstanding companies in the food chain group are Safeway Stores, Inc., and First National Stores, Inc., both of which have good growth records.

Safeway Stores is the second largest food chain, operating 1,859 retail stores throughout the United States and various Canadian provinces. Its total sales volume for 1954 amounted to $1,813 million, a new record high, surpassing 1953 by $61.6 million, and continuing a trend which has carried dollar sales steadily upward from 1945 volume of $664.7 million. Consolidated net earnings in 1954 for the common stock were equal to $3.52 a share, based on average number of shares outstanding during the year, compared with 1953 net earnings of $4.31 a share on approximately 500,000 less shares outstanding. The increase in common stock reflects conversion of Safeway's 4½% convertible preferred into common and to the shorter period of operation last year which covered 52 weeks as compared with 53 weeks in 1953. Profit margins of its stores operating in several mid-western states were impaired by trading stamp competition which the company met head-on with effective results, particularly in Colorado and Texas, which it is hopeful will lead to a discontinuance of this type of uneconomical selling in the balance of the area.

The steady growth of Safeway Stores in the past decade reflects the continuing program of closing its older retail units, replacing them with stores of the most modern type and adding to their number by constructing new units that represent the ultimate in supermarkets. Among other facilities are bread, cake, cracker and cookie bakeries, fluid milk plants, ice cream plants, jam and jelly plants, and coffee roasting plants, together with various warehouses, all being located to service quickly and economically its retail stores in this country and Canada. To further increase distributing efficiency and improve profit margins, Safeway is constructing vast food distribution centers and other facilities under a program to be spread over several years.

The common stock which has paid dividends in each of the last 30 years, is worth holding for its long-range growth prospects. Currently, the shares are selling around 43½, and yield 5.5% from the present $2.40 annual dividend.

First National Stores, in comparison to Safeway, has been showing slower growth in expanding its sales, but nevertheless, volume in the past decade has climbed almost steadily from $170.2 million in 1945 to $442.1 million for the fiscal year ended March 31, 1954. Net earnings over the same period, after adjusting to the July, 1951, 2-for-1 stock split, have increased from $1.40 a share of capital stock to a record high, estimated at close to $5 a share.

The greatest percentage of First National's sales gain has been recorded in the post war years, reflect-

ing its program through which it has closed older retail stores, substituting in place of many of these units, more efficient and modern self-service supermarkets, the majority serving populous New England communities. Augmenting First National's profit margins is its processing and selling a number of food products under its own brand, as well as its control of its own supply of dairy products and a warehouse system enabling it to serve its many retail stores by short truck hauls, all of which contribute to a profit margin that is higher than average for the food chain group as a whole.

The common or capital stock has no senior capitalization ahead of it. Dividends, paid regularly for more than a quarter of a century, are currently on a 50-cent quarterly basis. The most recent distribution, made in February last, being supplemented by 40 cents extra, indicating an annual rate of $2.40 a share. This issue ranks as a high-grade defensive stock which at current price around 55 returns a yield of 4.3% on the indicated yearly dividend.

(3) DOMESTIC COPPER PRODUCERS

Outlook for the copper producers indicates 1955 earnings on a higher level than was recorded in the last two or three years. Since late in 1954, there has been a shortage of copper, due in part to labor stoppages in this country last summer and to strikes early this year at the Rhodesian mines, and to rising demand in this country and abroad where the red metal commanded a price about six cents over domestic market posting. This differential, however, has been wiped out by domestic producers first raising their price from 30 to 33 cents and more recently, although somewhat reluctantly, to 36 cents at which the metal now prevails. A more plentiful world supply possibly during the second half-year could bring about some easing in quotations but net profits for most of the producers are likely to be at a post-war high, promising, in some cases, more liberal dividend payments.

Phelps Dodge Corp., the second largest domestic copper producer—it produced more than 444 million pounds last year—and together with its fabricating plants, including principally rod, wire and cable mills, reported for 1954 sales of $277 million, the second highest on record. Net income, after depletion charges of $41.2 million, amounted to $4.07 a share, up from $3.83 a share for 1953. Phelps Dodge with its highly mechanized open pit operations and substantial silver-gold by-production has a relatively low production cost. This year, higher copper prices should find reflection in increased profit margin which should be further aided by greater production from the company's new Lavender Pit mine that went into operation during 1954.

At the end of that year, the company had accumulated net working capital of $114.7 million. This sum is exclusive of $27 million in investments, consisting of 100,000 shares of Amerada Petroleum Corp., capital stock and 307,595 shares of common stock of American Metal Co. Strong finances provide good protection for the current $2.40 regular annual dividend, plus year-end extra of 60 cents, making a total of $3 a share which is apt to be increased as earnings rise. At its present price of 57, up from a low this year of 48, Phelps Dodge, on the basis of $3 annual dividend, yields 5.2%.

Copper Range Co., for some time has been deriving the greater portion of income from copper and brass rolling mill operations. Last year combined sales of copper and copper products of $21.3 million resulted in net income of $2.2 million. This was equal to $1.57 a share on 1,412,216 outstanding shares after giving effect to the March, 1955, 2-for-1 stock split. The new stock is currently selling around 43, indicating the long-range view that is being taken of the company's potential copper production from its wholly-owned subsidiary's White Pine mine that is scheduled to be in operation before the end of this year, and which has been developed through an RFC loan of which a little more than $61 million had been taken down at the end of last year.

The White Pine ore body is currently estimated to consist of more than 309 million tons, averaging 21.3 pounds of copper per ton, with more than about half of this tonnage averaging 24.3 pounds of copper per ton. It is believed further exploration will be successful in greatly increasing these reserves. According to present plans, mill capacity will permit initial production of 72 million pounds of copper annually, but it is expected that this output will shortly be increased to a minimum of 100 million pounds.

Dividends on the capital stock will be limited until the RFC loan is largely paid off.

(4) CALIFORNIA UTILITIES

Utility stocks, over a period of years, have proved to be sound income issues. The growth of the utility companies, reflecting greater industrial activity, increased population, the greater availability of natural gas for industrial and residential uses and the development of electrical apparatus and appliances, has been outstandingly rapid in recent years. The outlook is for continued growth, especially for the electric light and power industry, over the near-term and a consistent uptrend over the longer-range with new and improved generating equipment effecting operating economies. Sales and earnings gains are apt to be at a more substantial rate among those companies serving areas steadily increasing as a result of industrial development and its concomitant, population increase. In this group are:

Southern California Edison's position in this respect is somewhat outstanding. Operating both hydro and steam generating plants, it supplies electricity in the rich central and southern portions of California which embrace oil fields, agricultural lands and diversified industry. As in each year since 1945, it established several new records in 1954. Gross revenues, for example of $155 million, were $13.5 million greater than in the previous year, and surpassed 1952 volume by almost $28 million. Net income for 1954 was $26.6 million as compared with the previous year's net of $21.8 million, and equalled $2.95 a share on the increased amount of outstanding common stock, compared with $2.56 a share on the common stock outstanding at the end of 1953.

To keep pace with territory growth, construction expenditures in the five years through 1954, totaled almost $69 million, and the 1955 construction budget calls for additional expenditures of more than $76 million. The current year will fully reflect rate increases granted the company last September. Dividends on the common stock, paid in every year since 1907 were increased in 1955 to 60 cents quarterly, putting the stock on a $2.40 annual basis. At current price around 48, the yield from this increased dividend is 5.0%, which is somewhat above average for a high-grade utility.

Pacific Gas & Electric supplies both electricity and

natural gas to the major portion of northern and central California, including San Francisco. A measure of the growth of this territory is had in the expansion of electric revenues from $166.8 million in 1945, to a record high in 1954 of $265.4 million. Over the same period gas revenues have jumped from $69.2 million to $118.8 million. Net income for 1954 of $63 million compared with $59.6 million for the previous year, although net per share of common stock was diluted by increasing the average number of shares outstanding from 14.1 million to 16.1 million, a portion of the increase being used in connection with acquisition of control of Pacific Public Service Co., and its principal subsidiary. Consequently, 1954 earnings were equal to $2.89 a share, compared with $3.12 for 1953, but still provided broad coverage for dividends at an annual rate of $2.20 a share. The issue is entitled to a high rating for income stability, yielding 4.7% at current price of 47¾.

(5) TIRE AND RUBBER

With production of passenger cars by the automotive industry at a high rate which is expected to be maintained through the current quarter and possibly into the following three months, tire manufacturers should show good sales gain in 1955 over the comparatively poor preceding year. Adding to the brighter outlook is the expectation replacement demand will also be at a higher level which, with recent price increases for both passenger and truck tires, should materially help 1955 earnings. Although from the standpoint of tire sales, conservatively managed Lee Rubber & Tire, and General Tire & Rubber which is steadily diversifying into other lines, rank below the leaders in the tire field, the common stocks of both companies appear to have interesting possibilities.

Lee Rubber & Tire, because of its product and market diversification, together with its good trade position has a better than average earnings record among the smaller rubber companies. Last year, despite a decline in buying for military, a disappointing replacement market, Lee's most important outlet in which there was some price cutting, net earnings for the common stock for the fiscal year to Oct. 31, 1954, were equal to $1.66 a share, as compared with $2 for the previous year, and $2.22 in fiscal 1952.

Earnings for the year ending with next October, it is estimated, should come close to matching the latter figure. A basis for this expectation is the outlook for a substantial improvement in replacement demands and better profit margins resulting from a general industry price boost of from 2½% to 5% on tires and tubes put into effect last January, and the 5% increase which Lee made last November covering its various industrial rubber products. Following the stock-split, the new shares were put on $1.20 annual dividend basis which at current price of the shares around 23½, accords a yield of 5.1%.

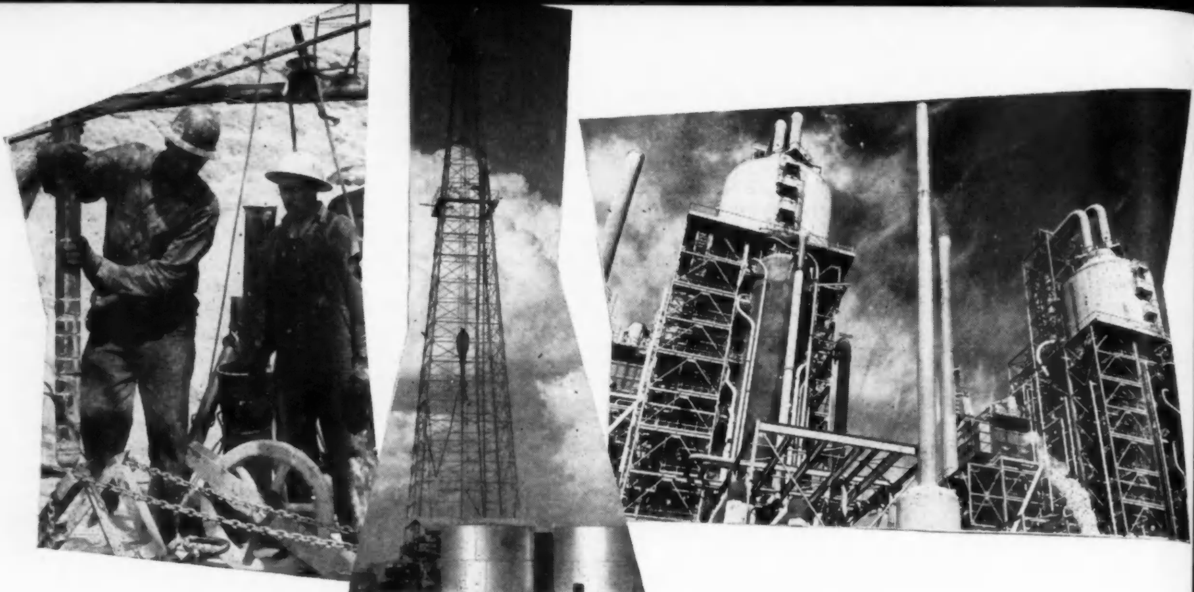
General Tire & Rubber notwithstanding general 1954 conditions, had record sales in that year of $216.9 million, surpassing 1953, the previous best year, by $11.6 million, a gain of 5 percent, without taking into consideration sales of its European and South American affiliates. Net profits for 1954, however, were down from the previous year, amounting to $3.18 a share on the common stock as compared to $4.91 for 1953. The 1954 showing does not include $1.12 a share radio and television profits nor the equity in earnings of unconsolidated foreign subsidiaries and affiliates which would have brought net up to approximately $6.00 a share.

Moreover, last year's sales figures include only 7 months' results from the new plastic divisions acquired last April, making General the largest manufacturer of plastic film and sheeting. Continuing its program of diversification, the company inaugurated last October (*Please turn to page* 130)

Comparative Data on 12 Companies in 6 Industries

	1951		1952		1953		1954				
	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	Earnings Per Share	Div. Per Share	Recent Price	Div. Yield†	Price Range 1954-55
COPPERS:											
Copper Range Co.	$ .74	$ .40	$ 1.42	$ .40	$ 2.34	$ .40	$ 1.57	$ .40	43	.9%	48 -22⅝
Phelps Dodge	4.48	3.00	3.68	3.00	4.02	2.60	4.19	3.00	55	5.4	57⅞-30¾
FOOD CHAINS:											
First National Stores	3.40	1.87½	4.12	2.00	4.17	2.00	5.00[1]	2.25	54	4.1	62¼-49¼
Safeway Stores	2.26	2.40	2.00	2.40	4.07	2.40	3.52	2.40	44	5.4	49¼-38¼
RAILROADS:											
Chesapeake & Ohio	4.80	2.25	5.66	3.00	6.05	3.00	5.01	3.00	46	6.5	49⅞-33⅛
Norfolk & Western	5.31	3.50	5.05	3.50	4.83	3.50	4.52	3.50	52	6.7	54¾-39⅝
RUBBERS:											
General Tire & Rubber	5.59	1.75	4.82	2.00	4.91	2.00	3.18	2.00	51	3.9	58¾-29⅛
Lee Rubber & Tire	2.87	1.66	2.22	1.16[2]	2.00	1.33[2]	1.66	1.33	23	5.7	25 -16⅛
TEXTILES:											
American Viscose	5.37	2.50	4.88	2.50	2.74	2.00	2.25[1]	2.00	45	4.4	47¼-30⅝
Celanese Corp. of America	3.56	3.00	.77	2.25	1.01	1.25	.32	.62½	22	2.8	26⅝-16¼
UTILITIES:											
Pacific Gas & Electric	2.04	2.00	2.30	2.00	2.82	2.05	2.88	2.20	46	4.7	48¾-39⅛
Southern California Edison	2.98	2.00	3.33	2.00	2.68	2.00	3.06	2.00	48	4.1	49⅞-37⅞

†—Based on 1954 dividend. [1]—Estimated. [2]—Plus stock.



OIL INDUSTRY FIGHTING TO HOLD GAINS

By FRANK L. WALTERS

The petroleum industry discovered again in 1954 that it must still contend with weather and general business conditions as important short term sales and profit determinants even though long term prospects promise strong growth trends.

During the first nine months of last year, sales fell short of the anticipated mark, inventories climbed to unhealthy levels and price competition cut into earnings. Self-control in production and refining helped cure some of the excesses and during the final quarter of the year, business picked up in line with overall business improvement and prices again firmed creating again an aura of optimism for the industry's future.

The healthy conditions carried over into early 1955 with every indication that the betterment will certainly continue through the first half and probably through to the end of the year. Diversification of the major oil companies into petrochemicals has helped smooth conditions moderately but the relative importance of these allied lines is still light. In a sense, chemicals add a small but growing measure of earnings to the principal source of income.

While the outlook for the industry at the start of this year is rather optimistic, the industry must conduct its operations under the influence of excess productive and refining capacities required by the Government as a "defense reserve." Leading oil economists see a rise of from 3 to 5.5 per cent in petroleum product consumption this year over 1954 but intense competition, fostered by the ample facilities, is also expected to prevail during the period.

The oil companies, along with the rest of the nation, were adversely affected by economic conditions last year which extended through most of the period. Even at the start of 1954, the industry was beset by excessive inventories, especially gasoline. A warm spell reduced materially the demand for heating fuels, too.

The problem was compounded by overoptimistic forecasts of petroleum product demand early in the year which encouraged high levels of refining activity even while consumption was slipping, resulting in further increases in unsold stocks. Eventually recognizing their situation, many refiners reduced production drastically, and inventories came down to levels which approached requirements of the rate of consumption.

Principally because of a very strong final quarter, U. S. domestic demand rose 1.9 per cent last year above that for the preceding year. Taking into account smaller exports, overall shipments by U. S. producers were 1.3 per cent higher than 1953. These were the smallest year-to-year increases experienced by the industry since 1949.

Although consumption was higher than the year before, production of crude was cut back and refinery runs were held down, so stocks of crude products declined at a rate of about 29,000 barrels a day during the year compared with an average increase of 148,000 barrels daily in 1953.

Gasoline stocks which were 20 million barrels higher than a year earlier on April 1, 1954, ended the year 2.5 million barrels below the end of 1953 level. This represented a decline to a 47-day supply from a 50-day supply. Gasoline consumption has been adversely affected by the shift of military demand to jet fuels while civilian demand for auto purposes continued to show substantial gains.

Comparative Earnings and Dividend Records of Leading Oil Companies

	Earnings Per Share 1952	Earnings Per Share 1953	Earnings Per Share 1954	Dividends Per Share 1952	Dividends Per Share 1953	Dividends Per Share 1954	Recent Price	Div. Yield	Price Range 1954 to Date
Amerada Petroleum	$ 5.04	$ 5.85	$ 5.25[1]	$ 3.00	$ 3.00	$ 3.00	209	1.4%	230½-166
Atlantic Refining	4.37	5.41	4.47	2.00	2.00	2.00	37	5.4	40¼- 27⅞
Cities Service	5.07	5.22	4.41	2.00	2.00	2.00	50	4.0	52⅞- 31¼
Continental Oil	3.91	4.20	4.28	2.50	2.60	2.60	80	3.2	81¼- 52
Creole Petroleum	8.54	8.85	9.27	7.00	7.00	7.50	136	5.5	151 - 73½
Deep Rock Oil	2.01	3.26	5.88	2.00	2.00	.50[2]	65	....	66½- 35⅜
Gulf Oil	6.01	7.13	7.16	2.00[2]	2.00[2]	2.00[2]	71	2.8	72¼- 45⅞
Houston Oil	4.81	5.05	4.83	2.25[2]	2.25	2.25	112	2.0	114¼- 64¾
Humble Oil	4.05	4.58	4.08	2.25	2.28	2.28	90	2.5	99½- 57
Imperial Oil Ltd.	1.38	1.61	1.66	.75	.80	.90	37	2.4	41⅝- 28⅝
Lion Oil	3.30	3.46	3.58	2.00	2.00	2.00	46	4.3	49⅞- 30⅛
Ohio Oil	6.00	6.63	5.82	3.00	3.25	3.00	71	4.2	76⅞- 54¼
Phillips Petroleum	5.17	5.25	5.20	2.40	2.60	2.60	79	3.2	79 - 53⅜
Plymouth Oil	3.97	3.32	2.78	1.60[2]	1.60[2]	1.60[2]	34	4.7	35⅝- 24
Pure Oil	6.17	6.12	7.09	2.50	2.50	3.00	80	3.7	81⅜- 47
Richfield Oil	6.41	7.13	6.50[1]	3.50	3.50	3.50	71	4.9	77⅛- 48½
Seaboard Oil	1.84	1.78	1.80[1]	.66	.83	.90	50	1.8	53¼- 28⅜
Shell Oil	3.88	4.20	4.41	1.50	1.50[2]	1.87½	62	3.0	66½- 38¼
Skelly Oil	4.88	5.44	5.13	1.62[2]	1.62½	1.70	52	3.2	56 - 35½
Socony-Vacuum Oil	4.89	5.35	5.25	2.00	2.25	2.25	53	4.2	56⅜- 35¼
Standard Oil of Calif.	6.07	6.61	7.04	3.00	3.00	3.00[2]	79	3.7	81¾- 52¾
Standard Oil of Indiana	3.91	4.06	3.61	1.25[4]	1.25[4]	1.25[3]	45	2.7	49½- 34¼
Standard Oil of N. J.	8.58	9.13	9.25[1]	4.25	4.50	4.55	114	4.0	119⅞- 71¾
Standard Oil of Ohio	4.20	5.08	4.41	2.40	2.40	2.40	45	5.3	47½- 32½
Sun Oil	4.45	4.68	4.17	.80[2]	.80[2]	1.00[2]	73	1.3	75½- 55¼
Texas Company	6.59	7.01	8.24	3.00	3.40	3.75	92	4.0	95½- 57½
Texas Gulf Producing	2.62	3.47	4.29	1.40	1.55[2]	1.55	90	1.7	100½- 39
Texas Pacific Coal & Oil	3.86	4.29	4.43	1.65	1.65	1.65	56	2.9	58½- 35
Tide Water Associated Oil	2.43	2.89	3.13	1.15	1.15	.25[2]	27	....	29 - 18¼
Union Oil	4.61	6.41	5.26	2.00	2.00[2]	2.20	57	3.8	59¼- 38½

[1]—**Estimated.** [2]—**Plus stock.** [3]—**Plus 1/60 share of S. O. N. J.** [4]—**Plus 1/50 share of S. O. N. J.**

Amerada: Has substantial reserves of crude; excellent record of finding new oil fields; good growth prospects but the price already discounts higher earnings and dividends. (A)

Atlantic Refining: Should benefit from improved market situation; company is spending heavily to improve crude position which has been weak for a major company. (B)

Cities Service: Has very strong financial position as result of sale of properties in compliance with the Public Utility Holding Co. Act; dividend and generous yield are well protected despite sharp reduction in 1954 earnings. (B)

Continental Oil: Has stepped up pace of drilling activity; operations are well integrated; good management and good growth possibilities. (A)

Creole Petroleum: Recent oil output, revenues and earnings at new record levels. Standard Oil of New Jersey controls over 95% of stock which will be split 3 for 1. Attractive on yield basis. (B)

Deep Rock: Has substantial assets per share of outstanding stock; is candidate for merger or sale on favorable terms. (B)

Gulf Oil: Leading international integrated company; foreign expansion will be aided by part ownership of Iran operation though activities in neighboring countries will suffer for a period. (A)

Houston Oil: Small crude producer with stake in timber and paper; recurrent rumors mention spin-off possibility of stock in paper mill affiliates. (C)

Humble Oil: Largest domestic crude producer; controlled by Jersey Standard; should benefit from improvement in Texas allowables. (A)

Imperial Oil, Ltd.: Largest integrated Canadian company; should show good gains from discoveries of oil and gas in Canada; sells high in relation to earnings and dividends. (A)

Lion Oil: Operations about evenly divided between oil and petrochemicals; has completed extensive expansion of manufacturing facilities. (B)

Ohio Oil: Increased crude oil production and anticipated larger sales volume should bring 1955 earnings above 1953 results despite intense competition. (B)

Phillips Petroleum: Broadly diversified into chemicals and oils; natural gas income will probably show good gains especially if regulatory situation is clarified. (A)

Plymouth Oil: Partially integrated smaller company; refinery capacity exceeds crude supply; good yield on well protected dividend. (C)

Pure Oil: Good growth possibilities; has large natural gas reserves with higher sales and earnings indicated. (B)

Richfield Oil: West Coast company, owned about one-third each by Cities Service and Sinclair; capital expenditures tapering; could lead to higher dividend. (B)

Seaboard Oil: One-third owned by Texas Co.; has important stake in Pembina field in Canada. Yield is low but reserves are high. (A)

Shell Oil: Large integrated producer; yield is not high; conservative dividend payments. Chemical sales, about 14 per cent of total, are growing rapidly. (A)

Skelly Oil: Company continues to advance integration plans; sells crude oil on balance. (B)

Socony-Vacuum: International holdings are extensive; about 55 per cent of net is from U. S. (A)

Standard Oil California: Has substantial reserve position; Eastern Hemisphere profit gains pulled 1954 net up 12 per cent despite decline in this country; petrochemicals are important. (A)

Standard Oil Indiana: Large domestic integrated company; about three-fourths of reserves in Texas; has large interest in Canada's Pembina field; capital expenditures declining. (A)

Standard Oil N. J.: World's largest oil company; continued earnings gains seen; stock split candidate. (A)

Standard Oil Ohio: Pressing integration program; now supplies 25 per cent of own crude needs compared to none two years ago; will complete first petrochemical plant this year. (B)

Sun Oil Co.: Good growth situation; dividend payments small supplemented in past by stock dividends. (A)

Texas Co.: One of world's largest companies; reserve position has been growing larger despite enormous sales; candidate for earnings gain and higher dividend. (A)

Texas Gulf Producing: Continues to improve reserve position; spending large sums on drilling; may prove worthwhile holding. (B)

Texas Pacific Coal & Oil: Small crude producer with relatively large reserves; often mentioned as merger candidate but nothing has materialized; strong cash position. (B)

Tide Water Associated: Undergoing reorganization of plant expansion of reserves; heavy capital expenditures ahead; attractive for capital gain. (C)

Union Oil of California: Second largest integrated company on West Coast; has stake in growth of area. (B)

RATING: (A)Sound commitment for long-term appreciation. (B)—Moderately attractive but more speculative than (A). (C)—Unattractive.
***—New purchases should be correlated with market advices of A. T. Miller appearing in each issue.**

Product prices reached their lowest point in mid-summer 1954 and in many areas across the country, the profit margin on refining and marketing operations practically disappeared. Price wars became rather familiar in many localities. The recovery toward the end of last year brought some improvement in prices and there has been some further gain this year.

Company profits received substantial stimulation from changes in product mix during the year and from more favorable marketing methods. The industry brought a major expansion of refining facilities to a close early last year and turned its attention to modernization of plant. As a result, substantially greater proportion of available crude was converted into gasoline and other more valuable light distillates and a smaller load of unwanted residual fuel was left. This meant higher sales dollar realization per barrel refined last year despite lower prices that prevailed.

B. Brewster Jennings, president of the Socony-Vacuum Oil Co., pointed out the importance of these refinery changes by revealing that his company's domestic refineries have reduced their production of residual from 26 per cent of crude runs in 1946 to 14 per cent in 1953. With the 12 per cent difference converted largely into gasoline and middle distillates, the company's 1953 earnings before taxes were about $30 million more than they would have been had the yields remained unchanged. The company plans to have its residual production down to about 7 per cent by 1958, he added.

Comparative Statistics Comparing

Figures are in million dollars except where otherwise stated.	Atlantic Refining	Cities Service	Continental Oil	Creole Petroleum	Gulf Oil
CAPITALIZATION:					
Long Term Debt (Stated Value)	$82.7	$396.0[3]	$108.1	....	$182.5
Preferred Stock (Stated Value)	$35.2	....	....	....	....
No. of Com. Shares Outstg. (000)	8,962	9,912	9,746	25,865	25,533
TOTAL CAPITALIZATION	$207.5	$435.7	$156.8	$129.3	$820.4
INCOME ACCOUNT:					
For Fiscal Year ended	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54
Net Sales	$596.1	$813.1	$500.1	$711.9	$1,705.3
Depletion, Amortization, etc.	....	$27.5[2]	$1.9	....	....
Depreciation, Retirements, etc.	$39.2[1]	$29.8	$20.3	$61.9[1]	$143.5[1]
Intangibles, Devel. Costs, Losses on Leases, Drilling Costs, etc.	....	....	$44.4	$12.1[2]	....
Total Income Taxes	$3.9	$11.9	$8.7	$100.2	$105.9
Interest Charges	$2.9	$13.6	$2.0	....	$6.0
Balance for Common	$40.0	$43.7	$41.6	$239.6	$182.8
Operating Margin	8.1%	7.4%	9.4%	46.8%	16.3%
Net Profit Margin	6.9%	5.3%	8.3%	33.6%	10.6%
Percent Earned on Invest. Capital	11.9%	8.4%	13.4%	32.4%	13.4%
Earned Per Common Share*	$4.47	$4.41	$4.28	$9.27	$7.16
BALANCE SHEET: Fiscal Year ended	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54
Cash and Marketable Securities	$31.8	$214.8	$70.3	$3.7	$379.4
Inventories, Net	$60.9	$116.0	$50.4	$56.3	$124.8
Receivables, Net	$53.3	$74.4	$53.0	$320.9	$149.5
Current Assets	$146.2	$411.6	$173.8	$381.1	$744.0
Current Liabilities	$52.8	$96.4	$59.6	$164.4	$352.4
Working Capital	$93.3	$315.2	$114.2	$216.7	$391.6
Fixed Assets, Net	$407.8	$602.7	$269.2	$573.8	$1,069.2
Total Assets	$611.6	$1,053.5	$480.1	$971.3	$1,969.0
Cash Assets Per Share	$3.55	$21.67	$7.20	$.14	$14.86
Current Ratio (C.A. to C.L.)	2.7	4.2	2.9	2.3	2.1
Inventories as Percent of Sales	10.2%	14.2%	10.0%	7.9%	7.3%
Inventories as % of Current Assets	41.6%	28.1%	29.0%	20.5%	16.7%
Total Surplus	$306.8	$475.4	$261.3	$609.7	$725.9

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

Many companies last year placed marketing emphasis on avenues of sales which would bring in more dollars, too. This was accomplished by shifting sales to controlled retail outlets which meant that shipments were billed at tank wagon prices rather than on the basis of wholesale price levels.

Though these devices have helped sustain and even improve earnings during periods of adverse conditions, the industry realizes that the supply and demand balance must be kept within reasonable limits or all profit can be lost. Crude oil supply is watched closely in this country by State regulatory commissions, especially in Texas and Oklahoma, and production is keyed to needs. Foreign oil imports have been voluntarily curbed when supply became too heavy.

Even now there is growing concern lest crude stock again become burdensome. The Texas Railroad Commission, which regulates the resources of that state, has ordered a 17-day production schedule for April causing a slight reduction in daily output from the March rate. Of the 13 major company spokesmen who appeared before the agency, nine recommended an even greater cut to 16 days for April.

These hearings often show a sharp cleavage in desire between producing companies engaged principally in domestic activities and those that conduct both domestic and international operations. The domestic producers, of course, prefer curbs on imports and the highest possible domestic output consistent with demand requirements. International companies, with large scale crude reserves outside of this country, believe that U. S. production should be tempered to permit foreign operations which are complimentary to a balanced supply-demand situation.

In asking for the restrained Texas production during April, the importing companies, for example, noted their shipments into the U. S. averaged 1,193,335 barrels daily in February and were scheduled at 1,124,405 barrels daily for March. The rate of imports would be cut further to 952,284 barrels in April reaching a goal of 917,353 barrels by July.

Foreign sources of supply have been getting larger and larger. At the end of 1953, known reserves in this country accounted for only 24 per cent of the 121 billion barrels of reserves compared with 41 per cent of the 49 billion reserves known in 1945. The middle East is understood to contain about two-thirds of the world total.

Allied against high imports are domestic crude

the Position of Leading Oil Companies

Ohio Oil	Phillips Petroleum	Pure Oil	Shell Oil	Skelly Oil	Socony-Vacuum Oil	Standard Oil of California	Standard Oil of Indiana	Sun Oil	Texas Company	Union Oil
......	$265.3[3]	$17.6	$137.1	$8.9	$185.8	$78.4[3]	$401.0	$11.8[3]	$214.9	$93.9
......	......	$44.2	......	......	......	......	......	$9.3	......	$23.5
6,563	14,653	4.068	27,480	5,746	34,982	30,106	32,467	9,661	27,439	6,658
$98.7	$561.3	$102.6	$343.2	$152.5	$714.0	$454.8	$1,212.7	$343.5	$904.7	$283.7
12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54
$248.4	$794.5	$388.2	$1,312.0	$211.0	$1,608.7	$1,113.3	$1,660.3	$659.5	$1,574.3	$334.2
......	$14.0	......	......	......	$82.7[2]	......	$45.9	......	$19.8	......
$18.7[1]	$58.1	$23.8[1]	$89.5[1]	$25.8[1]	$69.9	$118.7[1]	$77.1	$40.3[1]	$82.3	$33.6[1]
$1.5	$31.3	......	$65.6[2]	......	......	......	......	$29.6	$87.7[2]	$15.8
$8.7	$18.0	$3.8	$60.5	$6.6	$52.8	$50.8	$29.4	$9.7	$40.1	$6.6
......	$9.8	$.8	$3.7	$.3	$5.5	$1.6	$11.3	$1.0	$6.7	$2.7
$38.2	$76.2	$28.9	$121.1	$29.4	$183.8	$211.8	$117.1	$39.9	$226.1	$35.0
18.6%	12.9%	8.6%	12.8%	16.7%	14.1%	13.3%	8.7%	7.4%	9.8%	12.9%
15.3%	9.5%	8.0%	9.2%	13.9%	11.4%	19.0%	7.0%	6.1%	14.4%	10.7%
12.9%	11.0%	9.4%	16.3%	11.6%	10.6%	15.2%	7.4%	9.6%	15.0%	9.8%
$5.82	$5.20	$7.12	$4.41	$5.13	$5.25	$7.04	$3.61	$4.17	$8.24	$5.26
12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54	12/31/54
$42.6	$87.9	$31.4	$56.7	$28.7	$240.6	$177.8	$222.7	$31.9	$246.3	$33.5
$30.7	$77.8	$50.7	$133.5	$16.5	$231.1	$128.0	$196.4	$49.0	$203.4	$33.2
$25.6	$74.7	$34.0	$115.2	$18.3	$191.4	$132.1	$148.6	$40.5	$161.5	$62.1
$99.1	$261.8	$132.0	$342.4	$72.4	$709.5	$474.1	$611.6	$144.5	$642.1	$128.9
$30.5	$110.9	$42.9	$163.9	$28.0	$286.8	$191.9	$202.0	$63.4	$167.9	$48.5
$68.6	$150.7	$89.1	$178.5	$44.4	$422.7	$282.2	$409.6	$81.1	$474.2	$80.4
$208.3	$799.3	$267.1	$642.2	$216.6	$1,172.2	$1,137.8	$1,501.8	$342.2	$1,137.4	$358.8
$324.9	$1,092.7	$410.7	$1,041.8	$291.8	$2,256.6	$1,677.8	$2,187.3	$494.8	$1,945.5	$511.2
$6.49	$6.00	$7.71	$2.06	$5.00	$6.87	$4.25	$6.85	$3.30	$8.25	$5.03
3.3	2.3	3.0	2.1	2.5	2.4	2.4	3.0	2.3	3.8	2.6
12.3%	9.8%	13.6%	10.1%	7.8%	14.3%	11.5%	11.8%	7.4%	12.9%	9.9%
31.0%	29.7%	38.4%	39.0%	22.8%	32.5%	27.0%	32.1%	33.9%	31.6%	25.8%
$195.6	$397.1	$243.7	$534.6	$109.4	$1,196.9	$1,010.0	$762.4	$90.8	$812.5	$173.4

1—Includes deprec., depletion, amort., and retirements, etc.
2—Includes amort. of drilling & develop. costs, dry holes and lease cancellations, etc.
3—Includes subsidiary obligations.

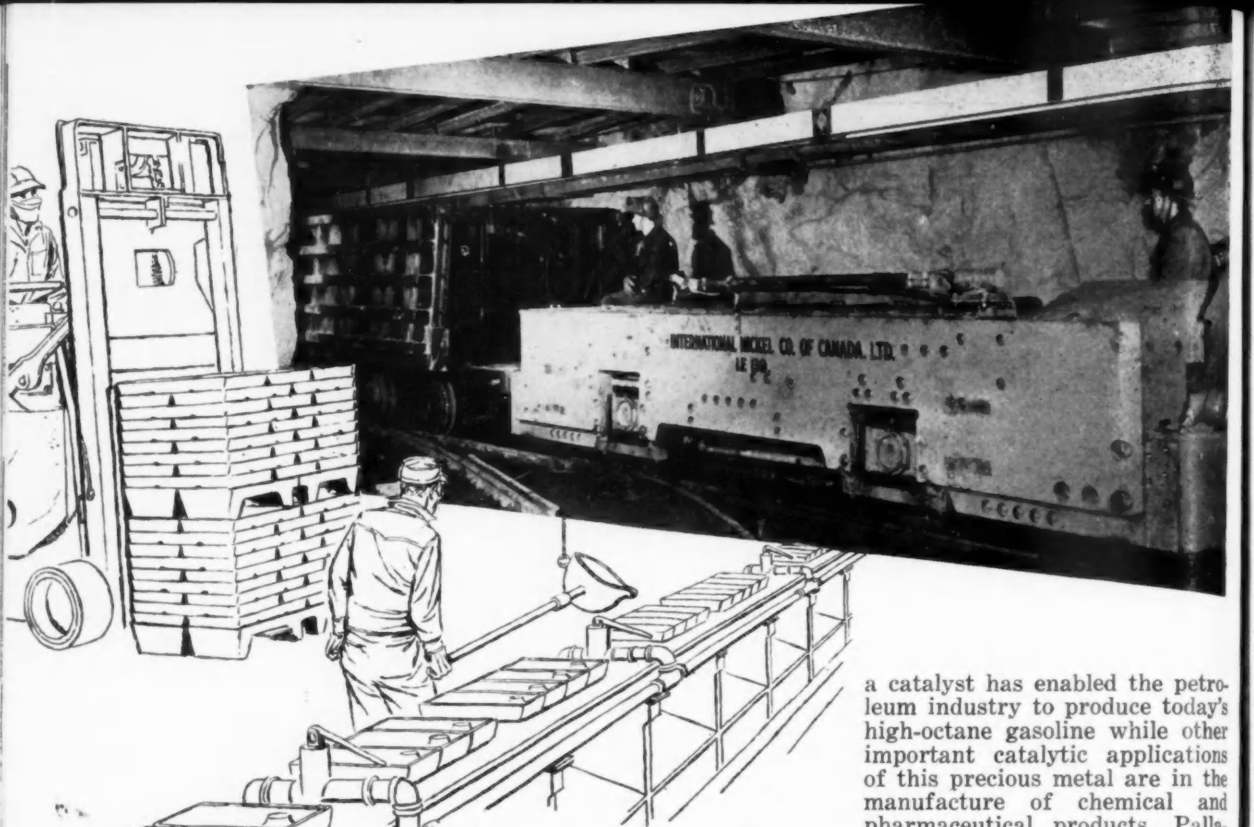
producers and several refiners who are not fully integrated with sources of supply. The crude producers complain that the flow of imports has so increased supply as to cause undue restrictions in the United States on allowable output while the refiners who buy some of their oil complain that they must step up purchases of crude from outsiders even though production facilities which they own are adequate to care for needs.

Some relief from this problem may be forthcoming within a few years as the "tidelands" potential is realized. The coastal waters in the Gulf of Mexico and off California have been the subject of an expensive and extensive search for new crude reserves. It is believed that a vast pool of oil lies beneath the Gulf of Mexico that will provide tremendous additions to domestic reserves. However, expenditure of hundreds of millions of dollars to date by the several interested companies must be only the start of the funds which will be needed to properly evaluate the area before production can start on a giant scale.

Drilling, so far, is still in the relatively shallow waters near shore and results have been generally good. During January 1955, overall production from wells on the Louisiana shelf were producing at a rate of 51,500 barrels daily, it is understood. As activities are carried further from shore, the difficulties are compounded by having to drill under deeper water levels and at distances which make transportation of the crude to shore more expensive.

It is hoped that consumption of oil products will have grown enough to absorb the new supply when it starts to be marked in quantity. Settlement of the Iranian situation illustrates the possibilities of maintaining balanced supply and demand despite gains in supply. Production will be coming back steadily in Iran during the next several years until capacity output is reached in about three years. It is estimated that the level of production in Iran at full scale operations will be just about in line with worldwide gains in consumption needs during the same period of time. By holding output of oil in neighboring countries on an even keel the oil industry will be able to prevent excessive inventories, it is believed.

The supply of oil in the United States is also being enlarged by recent developments in "secondary recovery." By water flooding, injection of hot gas and other methods, oil is forced to the surface from otherwise spent wells. Sinclair Oil Co. stresses the importance of this type of oil production by pointing out that secondary recovery *(Please turn to page 116)*



Can International Nickel Hold Earnings Pace?

By F. A. WILLIAMSON

Although International Nickel Company of Canada is best known as the world's greatest nickel producer, it ranks as one of the most diversified companies in the metallurgical industry.

Nickel, of course, is its principal product. Last year, its deliveries of this metal amounted to more than 282 million pounds, or about 70 per cent of total free world supplies. Its output of copper last year was by no means picayune either. The company's deliveries of refined red metal totaled more than 253 million pounds which ranked it just behind the "big three" of the copper producers.

In addition to these two metals, Nickel's 1954 deliveries included more than one million ounces of silver, 37,472 ounces of gold, and 263,277 ounces of platinum metals which include platinum, palladium, rhodium, ruthenium and irridium. The most important of this latter group is platinum once known as a jewelry metal but which is now being used in increasing quantity by modern industry. For instance, the present day high output of rayon fiber is made economically possible by the use of spinnerets made of precious metal alloys containing up to 90 per cent platinum. The use of platinum as a catalyst has enabled the petroleum industry to produce today's high-octane gasoline while other important catalytic applications of this precious metal are in the manufacture of chemical and pharmaceutical products. Palladium, too, second only to platinum in commercial importance, is used extensively for electrical contacts in telephone equipment and automatic controls, and as a catalyst in the production of modern antibiotics, vitamins and chemicals.

These platinum metals of which Nickel is also a leading producer are by-products of nickel and copper refining, and in recent years their production has averaged close to 300,000 ounces with a market value in the neighborhood of $15 million annually. This, of course, is small business when placed against Nickel's 1954 net sales of $352,273,-825. This sales volume, incidentally, set a new high, surpassing the best previous year's volume of $338.5 million established in 1953, and representing an unbroken trend which has carried net sales up from $182.2 million for 1949.

The importance of Nickel's valuable by-product platinum metals output is their increasing use as new and broader applications are adopted by industry and the greater yield to be obtained from the company's ores as it increases its output of nickel and copper. Further expanding the growth potential is Nickel's output of selenium, tellurium, sulphur as sulphur-dioxide bearing gas, and cobalt. With the completion of new refining facilities last August, at Port Colborne, Ontario, Nickel began the production of electrolytic cobalt, stepping up output through the balance of the year to meet industrial demand. Currently, the largest single use of the metal is in cobalt-nickel-chromium-base alloys required in the manufacture of high temperature, high strength materials, especially those going

into the making of jet aircraft engines. It is also used in large quantities in combination with nickel, aluminum and iron in the manufacture of permanent magnets for rados, motors, generators and numerous other industrial applications requiring cobalt metal of exceptional purity. Cobalt has other uses. Substantial amounts go into high-speed cutting tools, as a drier in paints and varnishes and high-grade printing inks and as an important additive to cattle and sheep feed in regions where the soil is deficient in this element.

Before the end of ths year, Nickel will have added another product to its long list. By then, it will have its $16 million pyrrhotite plant in operation, using a process developed by the company's research staff, for the recovery of iron ore of a higher grade than any now produced in quantity in the entire North American continent. This plant, according to present plans, will be the first unit in an operation which ultimately will be producing iron ore as a by-product at the rate of one million tons per year, and which will command a premium price for direct use in open hearth and electric furnace steel production. Equally important is the fact that the new process for this production represents an outstanding advance in nickel extraction metallurgy and a major step toward the maximum utilization of the company's ores, permitting greatly increased nickel production without expanding smelter capacity.

This achievement is only one of many Nickel has accomplished through research. While its basic raw material is nickel-copper ore, continuous research effort to develop improved smelting and refining processes, greater efficiency in mining operations, and new applications for its various metals, has played an important part in the company's growth.

Tangible results of these activities on the part of the Development and Research Division can be measured in part by the increasing use of nickel in nickel-plating where it is used to give a corrosion-resisting protective coating, and in alloys that resist corrosion. In the latter group are the stainless steels, probably the best known of the corrosion-resisting alloys. Out of the company's research laboratories in this country, Canada and the United Kingdom, have also come other high nickel alloys such as the "Monel," "Inconel" and "Nimonic" groups which Nickel's rolling mills here and abroad produce, along with other nickel-chromium, nickel-copper and nickel base alloys, in sheets, plates, bars and other forms.

Product research activities, in some instances receiving important assistance from related work by Nickel's customers, in recent years have been intensified, especially in those fields where future markets are most likely to be found. This is being done despite the fact that even though the company's production of nickel in all forms last year was at an all-time

Comparative Balance Sheet Items

ASSETS	December 31 1945	1954 (000 omitted)	Change
Cash	$ 25,501	$ 37,886	+$ 12,385
Marketable Securities	54,012	87,243	+ 33,231
Receivables, Net	16,343	33,021	+ 16,678
Inventories	44,455	105,517	+ 61,062
TOTAL CURRENT ASSETS	140,311	263,667	+ 123,356
Net Property	122,267	179,515	+ 57,248
Investments	14,311	5,224	— 9,087
Other Assets	16,844	8,387	— 8,457
TOTAL ASSETS	$293,733	$456,793	+$163,060
LIABILITIES			
Accounts Pay. & Accru.	$ 6,084	$ 21,051	+$ 14,967
Tax Reserve	12,037	31,127	+ 19,090
TOTAL CURRENT LIABILITIES	18,121	52,178	+ 34,057
Reserves	26,390	36,694	+ 10,304
Preferred Stock	27,628	27,628	....
Common Stock	60,767	60,767	....
Surplus	160,827	279,526	+ 118,699
TOTAL LIABILITIES	$293,733	$456,793	+$163,060
WORKING CAPITAL	$122,190	$211,489	+$ 89,299
CURRENT RATIO	7.7	5.0	— 2.7

peak it was impossible to satisfy all civilian needs because of the necessity of giving preferential consideration to defense and U. S. Government stockpiling requirements. The latter includes a contract under which the company will deliver for stockpiling during the five years beginning with 1954 and running through 1958, a total of 100 million pounds of copper and 120 million pounds of nickel.

In pursuing this policy of intensified research, Nickel is looking ahead to the time—some improvement may be seen this year—when civilian users will have a sufficient supply of nickel for established needs and the new uses for which the metal and its

alloys appear admirably suited. Because of the extreme versatility and properties of the metal and the nickel alloys, particularly their magnetic, thermal expansion and electrical properties, all of which are invaluable in the electronics industry, there appears to be a rapidly expanding market for these materials in the manufacture of an ever-increasing number of electronic devices. The fact that nickel changes in length when it is magnetized has brought about a growing industrial application of the principal of magnetostriction. This property of nickel is applied in high frequency industrial cutting tools, burglar alarms, sonic depth-finding equipment, submarine detection apparatus, and other equipment. The metal and its alloys also have broad employment in the production of cores for special transformers, color television cathode tubes, as magnetrons in radar, and in electronic computers. While only comparatively small quantities of nickel and nickel allows are used in individual components of electronic devices, the importance of this market at the present time is indicated by the fact that Nickel was called upon to supply the electronics industry with approximately seven million pounds of nickel in 1953. This quantity was undoubtedly short of 1954 electronics manufacturers' needs and should increase with the anticipated further growth of the electronics industry.

Development of the gas turbine and the jet aircraft engine have also opened new markets for the company's nickel alloys, particularly its "Nimonic," "Inconel," and "Monel" groups, which are also used in aircraft construction. These are "super" materials which have the heretofore unknown combinations of strength, ductility and resistance to heat, and in some instances high resistance to special types of corrosion. Nickel's ability to produce metallic materials capable of meeting these stringent requirements again proved the value of its research activities. Through studies of high temperature metals and allows, as well as improvements in production techniques, it has developed high nickel alloys having high temperature properties that were unattainable in any metallic material as recently as 15 years ago. Notwithstanding these achievements, Nickel continues to look ahead, directing its research and development efforts, as they effect the application of nickel in gas turbines and jet engines, thus anticipating the time when the jet aircraft and other industries will create a demand for new and still better materials to meet increasingly severe conditions of temperature and stress. At the same time, research along these lines will further the strides the company has already made in providing nickel and nickel alloys for use in the nuclear energy field. Since the beginning of the development of nuclear reactors, nickel has played an important part, particularly in the concentration and processing of atomic fuels. Nickel and nickel alloys have also been required in pilot nuclear reactor plants for application of atomic energy for the generation of electricity. Construction of full scale commercial plants, several of which are already planned, could open a further outlet for nickel, in addition to the expanding market that is foreseen in the jet aircraft industry and in industry generally as a result of the anticipated adoption of the gas turbine for numerous industrial purposes. This favorable outlook is further enhanced by an increasing demand for rolled nickel, reflecting expansion in the chemical and process industries and the growing use of nickel alloys, particularly in stainless steels, in architectural and decorative metal work.

Nickel, while devoting much time and effort to research on product development and building a broader and more secure basis for extending uses of nickel, has been equally diligent in improving mining practices and extending its ore reserves. At its Copper Cliff smelter, for instance, the recently developed oxygen flash smelting process for treating all of its copper concentrates completed in 1954 its first full year of successful routine operation with dual results. In the first place this new process by which copper concentrates are melted by their combustion with low cost oxygen, results in a saving by eliminating the need for a substantial tonnage of coal formerly purchased. The new process not only has lowered costs, but gives the company a production of high quality smelter gas which is sold to be converted into 100% sulphuric acid and liquid sulphur dioxide. Mention has already been made of the new pyrrhotite plant which when in full operation will enable the company to boost nickel production by about 2 million pounds a month and at the same time enable it to produce high-grade by-product iron ore at the rate of one million tons annually through treatment of 10 million tons of underground ores which (*Please turn to page* 116)

Long Term Operating and Earnings Record

	Sales & Operating Revenue (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High Low
1954	$352.2	$106.8	30.3%	$43.3	$65.2	18.5%	$4.35	$2.90	17.7%	59½-34⅞
1953	338.5	95.3	28.1	43.9	53.6	15.8	3.55	2.35	16.9	47⅝-34½
1952	314.2	100.5	31.9	43.5	58.8	18.7	3.90	2.60	17.9	48⅛-40¼
1951	286.7	109.1	38.0	48.1	62.8	21.9	4.17	2.60	20.3	42⅝-31¾
1950	228.0	75.0	32.9	27.5	48.7	21.3	3.21	2.00	17.0	36⅞-25⅛
1949	182.8	48.9	26.7	17.9	32.2	17.6	2.08	2.00	12.0	31¼-25⅜
1948	197.0	57.9	29.4	20.1	39.1	19.8	2.55	2.00	14.6	34⅛-24⅞
1947	166.3	49.8	29.9	17.3	33.5	20.1	2.16	2.00	12.8	36⅞-25⅞
1946	133.1	38.6	29.0	10.2	29.6	22.3	1.90	1.60	11.4	42⅞-28⅛
1945	148.0	36.5	24.7	12.4	25.0	16.8	1.58	1.60	10.0	39½-28½
10 Year Average 1945-1954	$234.6	$ 71.8	30.0%	$28.4	$44.8	19.2%	$2.94	$2.16	15.0%	59½-24⅞

THE EDITORS'

INVESTMENT CLINIC

Case No. 5

The Psychology of the Investor

The best laid plans of many an investor have been undone by his temperamental quirks. A tendency to panic quickly, a hasty glance at a forbidding headline in the newspapers, a brief and ill-considered conversation with a convincingly pessimistic stranger in a broker's office, a momentary out-of-sorts feeling at the breakfast table and a catastrophic decision may be in the making, likely to result in the impulsive dismantling of a sound investment program that it has taken years to build, after the expenditure of much care and thought.

Similarly disastrous investment results can be encountered by the individual who happens to be swept away by an unwonted feeling of well-being after a particularly good period in his business or profession and who consequently feels that "he has the world by the tail" and that nothing can go wrong. This is a good time to "stop, look and listen."

Probably, it is as important for the investor to study his own psychological make-up as it is to pay attention to the different factors that enter into the determination of security values. A tendency to either emotional extreme described above can mean the hazarding of substantial penalties. Both extreme pessimism and extreme optimism can be damaging in the final outcome in investment, as in other matters.

One of the most serious phases of the result of extreme emotional moods is that the investor is very likely to lose perspective. Under such conditions, he is likely to sell stocks he should hold if he becomes unduly fearful or, if he is unduly optimistic, he is likely to buy stocks that had better been left alone.

The Investor's Ego

The most vulnerable part of many an investor's make-up is his self-esteem. Most investors take a particular delight in "being right on the market" above and beyond the profits involved. But, if they happen to be wrong, investors of this type will stubbornly stick to their unfavorable position, in the face of mounting evidence that the stock is in trouble, rather than admit to themselves that they made a mistake. This is one of the hidden reasons why certain investors will stubbornly carry stocks at a considerable loss despite every indication that they ought to sell. Only, and much later, when he can no longer afford to fool himself, will this investor come to grips with reality. But, by that time it may be too late.

Taking the Initiative

Investors cling to unsafe positions in stocks for other psychological reasons than those described above. Some investors will stay with a declining stock for years not because they are happy with it, which, obviously cannot be, but because they cannot get themselves to take the initiative in disposing of it. This arises from the fear that the disposal of an unprofitable holding may result in making another mistake on top of the original one. It is apparent that this is the exact psychological opposite of the investor with a strong ego and, it arises from a complete lack of confidence in one's ability to invest soundly.

But, whether from over-confidence or lack of confidence, the investor troubled by these psychological flaws is not likely to do as well as the investor who insists on satisfying *his mind* and not *his emotions* when it comes to investing his money in securities.

As serious as these flaws are, they do not create nearly as much damage to the investor as the common tendency to buy—or sell—on impulse. It is still amazing to the author, who has had more than thirty-five years *(Please turn to page* 118)

Common Stocks For Long-Term Investment

	—1954—		
	Price	Div.	Yield
American Tel. & Tel.	180	$ 9.00	5.0%
Consumers Power	48	2.20	4.5
Corn Products	87	3.85	4.4
Dow Chemical	46	1.00	2.1
Duquesne Light Co.	35	1.66	4.7
Great Northern Rwy.	40	2.10	5.2
National Dairy Products	38	1.55	4.0
Pittsburgh Plate Glass	68	2.25	3.3
Safeway Stores	44	2.40	5.4
Socony-Vacuum	53	2.25	4.2
Standard Oil of Ohio	45	2.40	5.3
Union Oil of California	57	2.20	3.9

FOR

PROFIT

AND

INCOME

Dividends

There have been times when the market has for extended periods moved counter to the trends of business activity and corporate earnings. On an annual average basis, there has been more correlation between the market and dividends than with other factors, but interim divergence between market and dividend trends can be fairly wide. Thus, with total dividends fairly static, shifts in the confidence factor can raise or lower average yields substantially. Much of the 1942-1946 bull market was in an environment with over-all earnings and dividends largely frozen by the wartime excess profits tax. The most significant fundamental investment fact now is that we are in a record-breaking dividend boom which promises to continue at least through this year. Without any further rise in confidence—that is in the valuation per dollar of dividends — increasing dividends could support some further market advance.

If

Yields on industrial stocks of the general calibre of those represented in the Dow industrial average now average about 4.25%. This is materially under the over-confidence extremes reached at most past bull-market peaks, the comparable yields having been around 3.25% at the 1929 market high, 4.25% (same as now) at the 1937 high, and 3.50% at the 1946 high. With a generally good gain in total 1955 earnings likely, and with corporate finances generally comfortable, dividends might better 1954's record estimated $9.9 billion total by roughly 10%. The Dow industrial average at this writing stands around 410. At the current valuation of dividends, an increase of 10% in payments could put it to around 450. On a 4% valuation level for 10% higher dividends, the average could go to around 474; on a 3.5% yield basis to around 540. Of course, the actual potential, now centering more in confidence than anything else, is conjectural. It is to be hoped that past extremes in confidence — followed by major bear markets—will not be duplicated. But the potency of the dividend boom should not be underrated. Other things being equal—that is, given no war and no significant reversal of the present business trend—it could put the market somewhat above the best 1955 levels so far seen.

Utilities

Dividends on common stocks of electric utilities increased 10.9% in 1954 to a new peak of $713 million. The percentage gain was about double that of total corporate dividends, the latter figure including payments on preferred stocks. Utility dividends have outgained total dividends by a substantial margin through most of the postwar period to date, and especially during the last five years or so. Their rise (common-stock payments) since 1948 has been over 75%. A further gain is assured this year, though it might be moderately less than 1954's 10.9%; and it is not likely to exceed the gain in total corporate payments by anything like last year's margin. Because it is a growth industry with high immu-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954*	1953
Columbia Broadcasting System	Year Dec. 31	$4.85	$3.80
General Amer. Transportation	Year Dec. 31	5.05	3.38
Armco Steel Corp.	Year Dec. 31	7.86	6.50
Central & South West Corp.	Year Dec. 31	2.00	1.72
United Aircraft	Year Dec. 31	7.65	6.22
Anchor Hocking Glass Corp.	Year Dec. 31	3.65	2.89
Diamond Match Co.	Year Dec. 31	4.37	3.30
International Salt	Year Dec. 31	8.61	4.65
Du Pont (E. I.) de Nemours	Year Dec. 31	7.33	4.94
Boeing Airplane Co.	Year Dec. 31	11.39	6.26

nity to general business recessions —complete immunity to the mild recessions of 1948-1949 and 1953-1954—investors who have bought electric utility stocks in the post-war years have been generally well rewarded, both in present return on their original investment and in appreciation, with both especially so on holdings acquired two or three or more years ago. There cannot be anything spectacular about it on a medium-term holding period. It takes time for conservative growth-stock investment to pay off. Some of the utility stocks on which present rates appear likely to be raised between now and the end of 1955 are American Gas & Electric, Central & South West, Cleveland Electric, Detroit Edison, Florida Power & Light, Idaho Power, Illinois Power, Missouri Public Service, Texas Utilities, Virginia Electric, Washington Water Power and Wisconsin Electric.

Tax Exemption

Under tax provisions too complicated for detailed explanation here, dividend payments of a fair number of utilities are partially tax exempt, whether because they are considered return of capital or, in the case of some holding companies because of available capital losses on old stock holding. Here are some 1954 payments and the proportion thereof reported as tax exempt: Pacific Power & Light paid 92.5 cents in dividends, with about a third of it tax exempt. Southwestern Public Service paid $1.32, with nearly half tax exempt. Washington Water Power paid $1.62½, with over 80% of it tax free. Detroit Edison paid $1.60, with a little under a third of it tax free. United Corp. paid 27 cents, all tax exempt.

Rails

On a long-term basis, the railroad industry's dividends have lagged far behind those of both utilities and the aggregate of industrial companies. They still have to top the peak total of $497 million reached as far back as 1930. But they have risen considerably in recent years. Despite sharply lower earnings in 1954, payments rose to $420 million, from 1953's $412 million. Rail stocks trended upward, of course, last year, thus paying more heed to dividends than to earnings. Rail dividends in 1954 were about 45% higher than in 1948, nearly 80% higher than in 1946 (the first postwar year), and about 233% higher than in the prewar year 1939. A further gain, in line with improved earnings, of perhaps 5% to 7% or so seems likely this year. Among rails which are expected to pay more this year than last are Baltimore & Ohio, New York Central, Pennsylvania, Southern Railway, Atchison, Seaboard, Atlantic Coast Line, Denver & Rio Grande and Illinois Central.

Gimmick

Industrial companies generally charge accelerated amortization—five-year writeoffs of capital outlays covered by Federal certificates of necessity issued in connection with the Korean-war and subsequent defense build-up — to operating costs, thus saving proportionately in taxes. The effect is to reduce stated earnings, but it will be to boost earnings, other things being equal, after the five-year writeoffs are complete. The accounting is different for rails. They get the same tax savings, but the ICC does not permit them to charge accelerated amortization to operating costs in their reports to it and to stockholders. Thus, present publicly reported per-share earnings are considerably too widely over-stated. When the five-year writeoffs are completed, the effect will be to reduce reported earnings, other things being equal. As a result of accelerated amortization, total income-tax deferment by railroads in 1954 is estimated to have been close to $180 million. Total earnings were $615 million.

Ill Wind

According to the old saying, it is an ill wind which blows nobody good. Bad for the foreign producers of cocoa, its price has fallen sharply. But that is good for Hershey Chocolate. It should earn a good deal more this year than 1954's $2.75 a share, squeezed down from 1953's $3.92 mainly by high cocoa costs. Dividends are on a $2 basis. They might get back to 1953's $2.50. At 43, against high of 50 attained earlier this year, the stock should have potentials at least moderately better than for the industrial list. It is by no means on the bargain counter, but neither is any other stock with even fair merit. Similar considerations apply to Archer-Daniels-Midland, whose various activities include, in important degree, the processing of flaxseed and soybeans, with both facing increased supply and lower prices. Earnings in the postwar years have ranged all the way from a record $9.59 a share in 1947 to $2.34 in 1953 (fiscal years ending June 30). They were $3.04 a share in the year ended last June 30 and should better that for the current year. Dividends are on a $2 basis. With finances strong, they might be raised. Payments were $2.80 in the three years 1951-1953. The stock, now around 40 against highs of 60 in 1952 and 1951, could be subject to some rise.

First Quarter

It has been our opinion for some time that it probably would be generally harder to make money effortlessly in the stock market in 1955 than it was in 1954. With a fourth of the year now put behind, we see no reason to change that opinion. Given some extension of the bull market, with industrial and rail penetration of the March highs, it could still be true. In short, everything suggests a flatter market chart, more irregularity, more selectiv-

(Please turn to page 124)

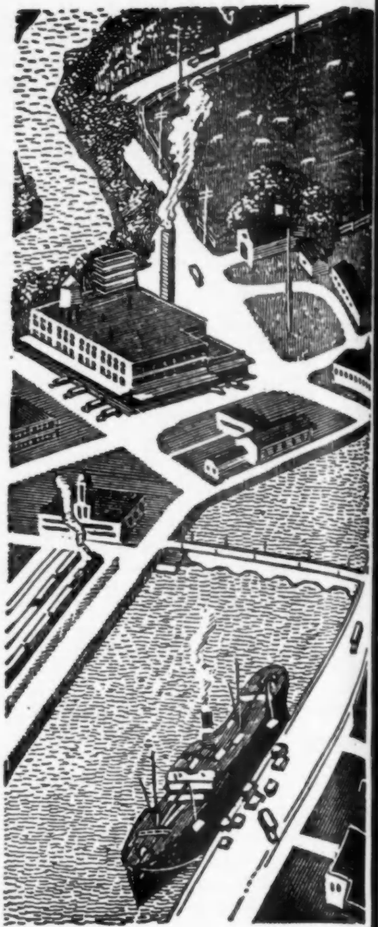
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
Hewitt-Robins, Inc.	Year Dec. 31	$2.82	$4.29
Mack Trucks, Inc.	Year Dec. 31	.85	1.63
United Biscuit of Amer.	Year Dec. 31	1.45	3.96
Yale & Towne Mfg.	Year Dec. 31	2.88	4.61
Firth Carpet Co.	Year Dec. 31	.13	.45
American Locomotive Co.	Year Dec. 31	1.83	3.40
Celanese Corp. of Amer.	Year Dec. 31	.32	1.01
Clevite Corp.	Year Dec. 31	1.33	1.77
Link-Belt Co.	Year Dec. 31	3.24	4.42
Hecla Mining Co.	Year Dec. 31	.36	.58

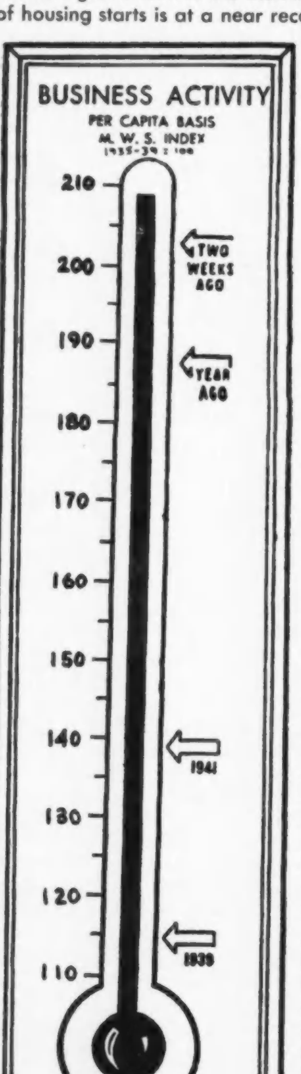
The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.



The situation in residential housing construction, a most important factor in the current business boom, may command increasing attention in the months ahead. At present, the rate of housing starts is at a near record high, and there are those who are forecasting that total new starts this year will exceed the all-time record of 1,396,000 dwelling units in 1950, comparing with 1,215,500 last year.



Within the past few weeks, however, it has been reported that numerous bankers and insurance executives — who are responsible for putting up the bulk of the mortgage money for housing — are becoming increasingly concerned over the possibility that too many houses are being built for the market to absorb. A surplus of residences would tend to result, of course, in a break in prices of residential properties. And, it is no secret that mortgage money is becoming harder to find and costs more than a while back.

The Housing Act of 1954 permitted the Veterans Administration to approve 30 year, no down payment mortgages and provided the spark for the very sharp rise in housing construction last year. From a low seasonally adjusted annual rate of 1,083,000 in May, new privately owned new dwelling starts jumped to an annual rate of 1,473,000 in December. Publicly owned housing construction has declined to the point where it is no longer of much importance in the overall calculations.

Since December, the seasonally adjusted annual rate has declined steadily although starts have remained far above a year earlier. The annual rate in January was 1,424,000, in February 1,381,000, and preliminary indications point to a drop to near 1,300,000 for March.

Interestingly enough, new starts in the State of New York during February were 20 percent smaller than last year, while starts for the country as a whole increased by the same percentage. In the past, it may be remembered, economic slowdowns of various kinds often began in the East and moved slowly westward. But, it is far from certain that similar implications can be given to the New York decline.

Building materials prices are extremely high, and land prices are high. Labor costs are in the stratosphere. All of this adds up to very high priced housing. In residential construction booms of the past, rising costs eventually checked the rise in the "building cycle". There was less private ownership and more rental property, and it became unprofitable to build because rents lagged behind construction costs.

It is contended by some economists that the building cycle has been eliminated as a result of the new rental type of home financing. Others maintain, however, that the cycle—which can be plotted back to the American Revolution—still is operative and that 1950 marked the peak of the current home construction boom. The customary sharp decline, once the peak had been attained, has been checked—so it is maintained—through extension of the period of mortgage payments which, in effect, is similar to a lowering of rents. Further extensions are considered unlikely for practical reasons.

New family formations, the spark plug of the postwar housing boom, have declined from a high of 1,650,000 in 1949 to around 600,000 annually at present. The "undoubling" of families, an important factor in the demand for new housing in the earlier postwar years, is about completed. The number of children per family is rising, creating a demand for larger quarters. But, this does not appear sufficient, in view of the very large number of dwelling units constructed since the end of the war, to start a new upward phase of the building cycle.

The Business Analyst

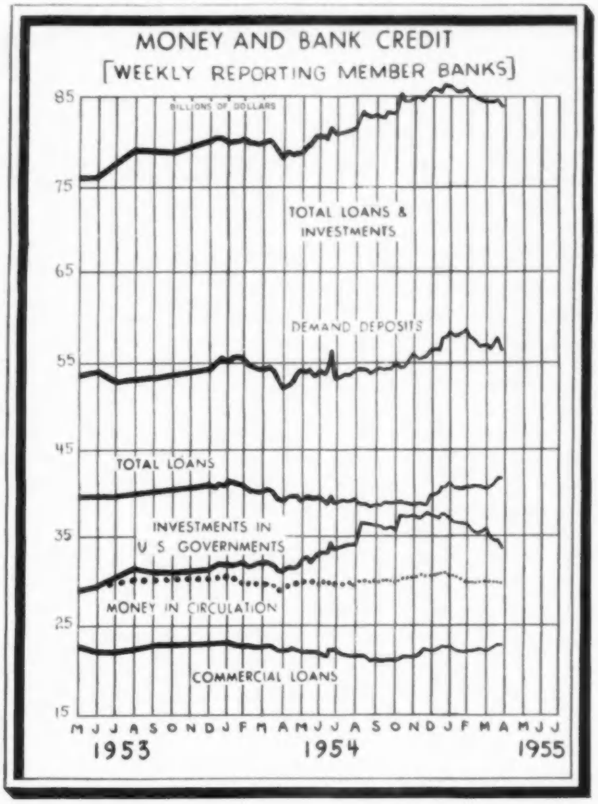
HIGHLIGHTS

MONEY & CREDIT — The trend towards higher interest rates, a persistent feature of financial markets in recent months, was still exerting its sway as March drew to a close. In the last half of the month, it was short term money that was feeling the pinch while longer-term obligations enjoyed a bit of a respite. Background of the current tightening of short-term funds is the uptrend in consumer loans to buy autos, appliances and the like, a contra-seasonal increase in business borrowing from the banks and a hands-off policy by the Federal Reserve Board. As a result, commercial paper rates were raised for the first time since January, the Treasury had to pay more for its 90-day loans and the member banks were operating with a $235 million deficiency of free reserves, the first time in recent years that the banks' debts to the Federal Reserve were above their excess reserves. Meanwhile, the Federal Reserve System, in firm conformance to its policy of letting the money market stand on its own feet, has scrupulously refrained from easing the strain. Thus far, the banks have still been able to satisfy most demands for loans by the expedient of borrowing the funds from the Central Bank at a rock-bottom 1½%. However, if this practice becomes too extensive, the Federal can always recapture control of the market by raising the discount rate.

Markets for seasoned long-term issues in the two weeks ending April 1, were not generally affected by the tightness in short-term rates, although Treasury obligations, the oft-proved bell-wethers of market movements, reversed their uptrend of the first half of March, with the 40-year 3s and the 3¼s of 1983-1978 each losing ¼ point while the Victory 2½s of 1972-1967 were ¾s of a point lower. Treasuries have been suffering from liquidation by savings banks and insurance companies, induced by a desire to secure the higher yields available in other types of loans, a factor that seems to be outweighing demand from pension funds and other sources. Caution has also been induced by signs that the Treasury will have to borrow more new money this Spring to pay off some $2.5 billion of savings notes falling due in May and June. Prospects are that the nation's fiscal authority will come to the wire on June 30 with a debt only a whisker away from the statutory limit of $275.0 billion that automatically goes back into effect on July 1.

Among high-grade corporate and tax-exempt bonds, a better feeling prevailed in the last half of March, encouraged by the relative hiatus of new issues. Although this has made for moderate price improvement in some sectors, recent deferment of large offerings may result in a bunching of new flotations in coming months with consequent danger of increased pressure on prices at that time.

TRADE — Consumer buying has held to a moderate pace in recent weeks with the latest period, that of the week ending Wednesday, March 30, showing a 3% gain over a year ago. Several seasonal factors have to be taken into account in judging current retail trends, including this year's earlier Easter and the shift in the Federal income tax payment date to April 15. On this basis, the gain in retail sales is less than expected.



Department store sales last month have been running far ahead of a year ago, on an unadjusted basis, with weekly gains running as high as 14%. However, after taking account of seasonal influences, one comes up with an index of 112, the same as in February and down from January's level of 118. In March 1954, this index was 105, a figure that proved to be last year's low for this indicator.

INDUSTRY — Industrial output continued to climb in March and inventory re-stocking was one of the demand factors making for higher output. A larger number of manufacturers than at any time since 1950, reported adding to their stocks, according to the latest survey by the National Association of Purchasing Agents. Aside from current inducement to add to inventories provided by the high level of sales, some manufacturers are bolstering stocks in a move to protect themselves against the effects of possible labor strife.

The MWS Business Activity Index reflected the continued rise in output, reaching 208.6 in the week ending March 26, compared with a 204.2 average for the month of February.

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Feb.	3.0	3.1	3.5	1.6
Cumulative from mid-1940	Feb.	580.0	577.0	537.0	13.8
FEDERAL GROSS DEBT—$b	Mar. 28	274.2	274.3	270.3	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Mar. 23	56.3	57.9	53.3	26.1
Currency in Circulation	Mar. 30	29.7	29.7	29.7	10.7
BANK DEBITS—(rb)**					
New York City—$b	Feb.	63.4	60.8	62.4	16.1
344 Other Centers—$b	Feb.	102.4	97.8	94.8	29.0
PERSONAL INCOME—$b (cd2)	Feb.	292.4	291.4	285.0	102
Salaries and Wages	Feb.	200	199	195	99
Proprietors' Incomes	Feb.	50	50	50	23
Interest and Dividends	Feb.	25	25	25	10
Transfer Payments	Feb.	16	17	15	10
(INCOME FROM AGRICULTURE)	Feb.	16	16	17	3
POPULATION—m (e) (cb)	Feb.	164.2	163.9	161.3	133.8
Non-Institutional, Age 14 & Over	Feb.	116.9	116.9	115.8	101.8
Civilian Labor Force	Feb.	63.3	63.5	63.7	55.6
Armed Forces	Feb.	3.2	3.2	3.4	1.6
unemployed	Feb.	3.4	3.3	3.7	3.8
Employed	Feb.	59.9	60.2	60.1	51.8
In Agriculture	Feb.	5.1	5.3	5.7	8.0
Non-Farm	Feb.	54.9	54.9	54.4	43.2
Weekly Hours	Feb.	40.9	40.8	41.0	42.0
EMPLOYEES, Non-Farm—m (lb)	Feb.	47.8	47.8	47.9	37.5
Government	Feb.	6.9	6.8	6.6	4.8
Trade	Feb.	10.4	10.5	10.3	7.9
Factory	Feb.	12.7	12.6	12.9	11.7
Weekly Hours	Feb.	40.5	40.2	39.6	40.4
Hourly Wage (cents)	Feb.	1.85	1.84	1.80	77.3
Weekly Wage ($)	Feb.	74.93	73.97	71.28	21.33
PRICES—Wholesale (lb2)	Mar. 15	110.0	110.1	110.5	66.9
Retail (cd)	Jan.	207.3	207.6	209.5	116.2
COST OF LIVING (lb2)	Feb.	114.2	114.3	115.0	65.9
Food	Feb.	110.8	110.6	112.6	64.9
Clothing	Feb.	103.4	103.3	104.7	59.5
Rent	Feb.	129.7	129.5	127.9	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Jan.	14.9	15.1	13.6	4.7
Durable Goods	Jan.	5.1	5.3	4.4	1.1
Non-Durable Goods	Jan.	9.7	9.8	9.2	3.6
Dep't Store Sales (mrb)	Jan.	0.89	0.89	0.81	0.34
Consumer Credit, End Mo. (rb)	Jan.	29.7	30.1	28.7	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Feb.	25.7	24.8	22.0	14.6
Durable Goods	Feb.	12.8	12.1	9.6	7.1
Non-Durable Goods	Feb.	12.9	12.7	12.4	7.5
Shipments—$b (cd)—Totals**	Feb.	25.2	24.9	23.6	8.3
Durable Goods	Feb.	12.4	12.3	11.3	4.1
Non-Durable Goods	Feb.	12.8	12.6	12.3	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Jan.	77.3	77.3	80.7	28.6
Manufacturers'	Jan.	43.6	43.7	46.4	16.4
Wholesalers'	Jan.	11.5	11.5	11.8	4.1
Retailers'	Jan.	22.2	22.1	22.5	8.1
Dept. Store Stocks (mrb)	Jan.	2.4	2.5	2.4	1.1
BUSINESS ACTIVITY—1—pc	Mar. 26	208.6	208.0	187.6	141.8
(M. W. S.)—1—np	Mar. 26	262.6	261.9	232.2	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 109)

COMMODITIES — Sensitive spot commodity prices have been very steady in the two weeks ending April 1 and the Bureau of Labor Statistics' Index of 22 such commodities rose 1.2% to 89.6% of the 1947-1949 average. The livestock component of the index was strongest in the latest period, gaining 5.5%. Metals were up 2.0% and industrial products added 1.9%. Raw foods were sluggish although they managed a gain of 0.3%.

o

NEW CONSTRUCTION activity in March was still maintaining the record-breaking pace of previous months with new building during the month amounting to $2,919 million, a normal seasonal gain from February levels, and 14% ahead of a year ago. Private residential building led the year-to-year improvement, running 33% ahead of March, 1954. Non-residential construction was up 19%, with new stores, restaurants and garages leading the rise in this sector, advancing 50% over a year earlier. Public utility construction was up 1%, farm building fell 8% and railroad construction brought up the rear with a 13% decline. Public construction last month came to $768 million, a 3% decline from the corresponding 1954 period. Many types of public construction were lower although highway building was up 6% and sewers and water works advanced.

* * *

The demand for **NEW PASSENGER CARS,** strong bow in the business revival, was higher than ever in March, with 710,000 cars sold at retail, the biggest month in history, according to estimates by Ward's Automotive Reports. The previous record was in August, 1950, when 683,995 cars were disposed of. Output is not taking a back seat either and the factories assembled a record 790,200 cars last month. This brought production in the first quarter to 2,125,000 units, while retail sales for the same period were slightly under 1,800,000. With figures of this magnitude under their belt, manufacturers are wondering what the future holds in store. Those who predict a let-down in consumer demand later this year, point to the fact that used car sales are lagging. If this development were to result in lower used car prices, dealers would have to cut their trade-in allowances with inevitable repercussions on demand for new cars.

* * *

New orders for **MACHINE TOOLS** were higher again in February and the National Machine Tool Builders Association estimates that orders received during the month

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Feb.	133	131	125	93
Mining	Feb.	121	118	113	87
Durable Goods Mfr.	Feb.	147	145	139	88
Non-Durable Goods Mfr.	Feb.	121	120	114	89
CARLOADINGS—t—Total	Mar. 26	639	656	601	933
Misc. Freight	Mar. 26	352	363	332	379
Mdse. L. C. I.	Mar. 26	63	63	65	66
Grain	Mar. 26	40	44	41	43
ELEC. POWER Output (Kw.H.) m	Mar. 26	9,907	9,814	8,491	3,266
SOFT COAL, Prod. (st) m	Mar. 26	7.9	8.1	6.8	10.8
Cumulative from Jan. 1	Mar. 26	102.3	94.4	91.6	44.6
Stocks, End Mo.	Feb.	63.8	65.9	75.2	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Mar. 25	6.9	6.9	6.5	4.1
Gasoline Stocks	Mar. 25	184	184	179	86
Fuel Oil Stocks	Mar. 25	46	45	44	94
Heating Oil Stocks	Mar. 25	63	64	61	55
LUMBER, Prod.—(bd. ft.) m	Mar. 26	261	252	253	632
Stocks, End Mo. (bd. ft.) b	Jan.	9.1	9.1	9.1	7.9
STEEL INGOT PROD. (st) m	Feb.	8.5	8.8	7.1	7.0
Cumulative from Jan. 1	Feb.	17.3	8.8	15.1	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Mar. 31	336	545	330	94
Cumulative from Jan. 1	Mar. 31	4,367	4,031	2,796	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Mar. 26	243	252	222	165
Cigarettes, Domestic Sales—b	Jan.	32	26	30	17
Do., Cigars—m	Jan.	446	409	441	543
Do., Manufactured Tobacco (lbs.)m.	Jan.	16	14	16	28

PRESENT POSITION AND OUTLOOK

amounted to $62 million, up 3% from January and 30% ahead of February, 1954. Shipments during February were far below orders, amounting to $49.8 million. This is a sharp drop from the $95.6 million worth of machine tools shipped a year earlier. With shipments under new orders, the backlog of orders on hand has been rising. It would have taken 4.2 months at the February production rate of $76.1 million worth of tools, to complete all orders on the books at the end of the month. This compares with 3.7 months at the end of January. In February, 1954, with output valued at $109.6 million, it would have taken 5.1 months to complete all orders then on the books.

* * *

Order backlogs for **FREIGHT CARS** are making a come-back from the depressed levels prevailing in the second half of 1954. At the end of February, 1955, there were orders on hand for 18,663 freight cars, which compares with about 10,000 cars on order at last year's low. New orders in February were received for 2,690 cars, an improvement over a year ago when 2,057 new cars were ordered.

Industry observers are hopeful that new orders will pick up smartly in coming months, basing this prognostication on the uptrend in freight traffic.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100.) lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine ofWall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

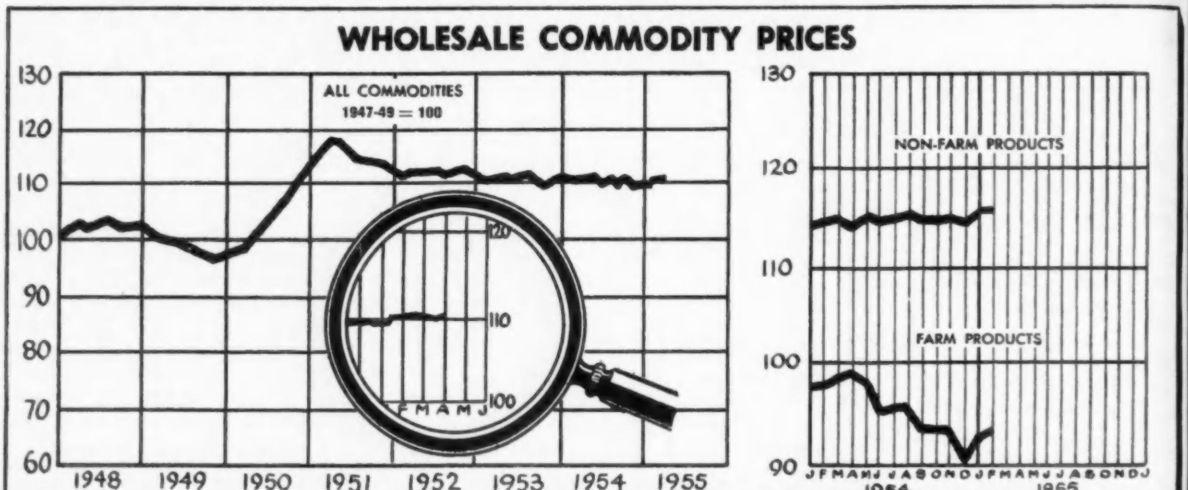
No. of Issues (1952 Cl.—100)	'54-'55 Range High	'54-'55 Range Low	1955 Mar. 25	1955 Apr. 1
300 COMBINED AVERAGE	306.9	192.8	303.2	304.7
4 Agricultural Implements	313.5	189.7	297.3	313.5H
3 Air Cond. ('53 Cl.—100)	123.0	99.0	110.2	109.0
10 Aircraft ('27 Cl.—100)	1084.9	404.4	1029.3	1020.0
7 Airlines ('27 Cl.—100)	1180.0	512.3	1180.0	1159.2
4 Aluminum ('53 Cl.—100)	248.2	99.0	248.2	246.3
7 Amusements	159.8	87.6	151.8	150.2
9 Automobile Accessories	340.0	241.3	336.9	333.7
6 Automobiles	47.5	38.4	45.7	45.7
4 Baking ('26 Cl.—100)	29.8	23.0	28.9	28.9
3 Business Machines	857.5	362.3	837.5	837.5
6 Chemicals	501.0	369.3	471.6	466.6
3 Coal Mining	18.3	9.4	17.6	17.6
4 Communications	113.4	61.0	110.2	113.4H
9 Construction	118.5	64.0	115.2	114.1
7 Containers	725.9	495.4	689.6	675.1
7 Copper Mining	280.1	140.6	273.2	280.1H
2 Dairy Products	129.1	102.0	120.0	118.8
6 Department Stores	85.6	56.8	84.0	84.8
5 Drugs-Eth ('53 Cl.-100)	151.2	97.0	141.8	151.2H
6 Elec. Eqp. ('53 Cl.-100)	174.7	99.0	168.5	168.5
2 Finance Companies	626.5	394.8	601.9	608.1
6 Food Brands	279.7	194.6	277.1	277.1
3 Food Stores	151.6	130.2	140.6	139.1

(Nov. 14, 1936, Cl.—100)	High	Low	1955 Mar. 25	1955 Apr. 1
100 HIGH PRICED STOCKS	195.4	124.0	195.4	194.5
100 LOW PRICED STOCKS	381.6	225.0	372.6	377.8
4 Gold Mining	827.4	517.4	727.6	741.8
4 Investment Trusts	157.1	99.5	154.1	154.1
3 Liquor ('27 Cl.—100)	1080.1	805.8	961.3	972.1
9 Machinery	395.8	210.0	379.3	395.8H
3 Mail Order	174.0	110.2	174.0	170.7
4 Meat Packing	126.0	85.7	123.6	120.0
5 Metal Fabr. ('53 Cl.—100)	178.8	101.1	173.8	172.2
10 Metals, Miscellaneous	390.7	215.1	379.9	390.7
4 Paper	831.7	466.0	823.7	831.7H
22 Petroleum	632.1	412.1	620.1	626.1
22 Public Utilities	249.1	194.4	244.3	244.3
7 Railroad Equipment	88.4	52.8	84.6	88.4H
20 Railroads	72.6	51.0	71.3	70.6
3 Soft Drinks	487.5	380.1	478.3	478.3
11 Steel & Iron	246.3	133.8	241.8	241.8
4 Sugar	68.8	47.3	64.2	68.8H
2 Sulphur	888.6	564.3	855.1	846.7
10 Television ('27 Cl.—100)	45.6	29.0	44.8	44.0
5 Textiles	161.9	101.3	155.9	158.9
3 Tires & Rubber	152.3	86.3	152.3	149.4
5 Tobacco	87.1	73.5	83.6	83.6
2 Variety Stores	317.7	274.4	302.5	302.5
15 Unclassified ('49 Cl.—100)	155.2	106.2	150.8	155.2H

H—New High for 1954-1955.

Trend of Commodities

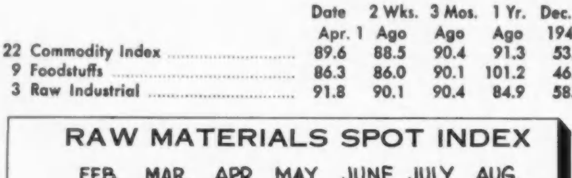
Commodity futures followed divergent trends in the two weeks ending April 4. Grains were mostly lower, cotton declined slightly, metals were firm, coffee rallied strongly, while cocoa futures lost more than 2 cents. The Dow-Jones Commodity Futures Index, which derived support from the strength in coffee, was off only 0.21 points during the period, to close at 155.04. May wheat lost 1 cent in the two weeks through April 4 to close at 211½. There was not much response to such bullish developments as dust storms in large areas of the winter wheat belt and a Washington announcement that an additional 100 million bushels of wheat would go into stockpiling. This move may presage a higher support level for wheat next season, as the loan level depends in part on the size of the surplus. Wheat statistics reveal a picture of temporarily increasing tightness, with the Government on March 1 owning or supporting 1,090 million bushels of the bread grain, leaving only 122 million bushels of "free" wheat. However, this supply will be augmented by March redemptions from the loan and some Government sales of wheat. By June, the early part of the new crop will be coming to market, to relieve any technical shortage. May corn was down 1¾ cents in the two weeks ending April 4 to close at 143⅞. The average Government loan rate on the farm for 1955-crop corn is approximately $1.58, equivalent to about $1.72 in Chicago. All corn futures are selling well below this level and there is a good deal of conjecture that the support program will not be very effective because many farmers are planting in excess of allotments and are ineligible for the loan. Cotton futures declined slightly in the fortnight ending April 4. Consumption has not been coming up to previous estimates and the rapid expansion of foreign cotton production may effectively compete with our output, reducing overseas demand next season.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

	Date Apr. 1	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.6	88.5	90.4	91.3	53.0
9 Foodstuffs	86.3	86.0	90.1	101.2	46.1
3 Raw Industrial	91.8	90.1	90.4	84.9	58.3

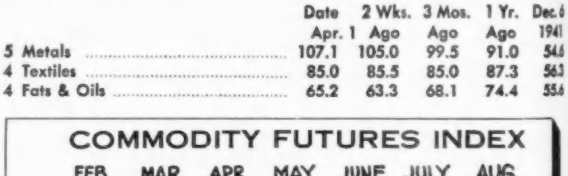
	Date Apr. 1	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	107.1	105.0	99.5	91.0	54.6
4 Textiles	85.0	85.5	85.0	87.3	56.3
4 Fats & Oils	65.2	63.3	68.1	74.4	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	156.9	162.2	181.2	215.4	111.7	88.9	57.7	86.6
Low	147.8	147.9	160.0	176.4	98.6	58.2	47.3	54.6



Average 1924-26 equals 100

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	183.7	166.5	192.5	214.5	95.8	74.3	65.8	93.8
Low	154.5	153.8	168.3	174.8	83.6	58.7	57.5	64.7

WHAT'S NEW?

—*A Record of Important Company Developments*

Tidewater Associated Oil Co.: The management is now following a well planned program to improve the company's earnings and values through long-range modernization and expansion. This includes aggressive exploration, replacement of its obsolete eastern refinery, enlargement of existing facilities, construction of new plants, orders for six new tankers and addition of hundreds of new service stations. Capital expenditures of $127 million have been budgeted for 1955 in support of the program. Sales declined 3% and net earnings fell last year, but net share increased to $3.13 from $2.89 in 1953 solely because 1,856,000 shares were retired on balance. A sharply restricted dividend policy may be followed for the next number of years until such time as the expansion program is completed and earnings are established on a higher level.

Food Machinery & Chemical Corp.: In 1954 set a new post-war record for business volume despite smaller defense billings and had profits after taxes the highest in the companys' history. Gross revenues last year topped $233.4 million, compared with the previous peak of $229 million in 1953. Net income was $12.1 million equal to $3.80 a share on 3,034,031 shares against $11.5 million or $3.66 a share on 2,976,970 shares, earned in 1953. While highly competitive conditions exist, with a tendency to reduce prices to maintain volume, an improving demand for chemicals and a general rise in industrial activity favor continuance of the moderate nuptrend in profits. The company is acquiring one of the Government's synthetic rubber plants and is also building a 60 ton-a-day ammonia plant. Food Machinery's backlog of orders was $79 million at the end of 1954 compared with 76.4 million a year previous.

Socony-Vacuum Oil Co.: Reflecting world-wide development and large scale expansion during the past several years, the company is nearing the stage where earning power results are likely to reach a higher plane. Despite a recession in the industry last year, net income was steady, reporting $5.25 per share, only slightly off from the $5.35 a share the year before, with substantial improvement expected for 1955. In addition, the company has under way another major program for improvement and expansion and expects to spend upwards of $275 million in the next 12 months. Socony-Vacuum has made considerable progress in the Middle East where it now has an interest equal to 6 billion barrels of the 60 billion barrels of proved reserves in Iran, Iraq, Saudi Arabia and the Qater Peninsular. With this broad background of increased capital outlays and higher operating results continuing in a long-term upward trend, the stock is gradually moving up into the high quality blue-chip class.

Pabco Products Inc.: Known primarily as a West Coast floor covering manufacturer, but also selling a wide line of building materials, this company owns a 50% interest in a concern manufacturing fibreboard cartons and shipping cases. During 1952 and 1953, extension of the floor cov-

(Please turn to page 134)

Important Dividend Changes

March 23 to April 5

INCREASED DIVIDENDS

	New Rate	Period
Diamond Match	$ .66⅔	......
Superior Steel	.35	Qu.
Consolidated Coppermines	.25	......

INITIAL DIVIDENDS

	Rate	Period
Briggs Mfg. Co. (new)	$ .35	......
Aluminum Co. of Amer. (new)	.25	......
Caterpillar Tractor (new)	.40	......
Lee Rubber & Tire	.30	......
Textron Amer. Inc.	.10	......

STOCK DIVIDENDS (Including Stock-Splits)

	Rate
Aluminum Co. of Amer.	100%
Denver & Rio Grande West.	3 for 1
Texas Gulf Producing	200

EXTRA DIVIDENDS

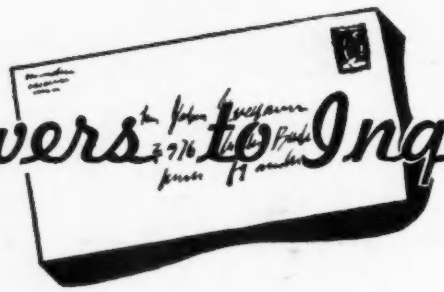
Emerson Radio & Phon.	$ .05
General Pub. Util.	.05

RESUMED DIVIDENDS

Northwest Airlines	$ .20
Braniff Airways	.15

OMITTED DIVIDENDS

Cudahy Packing	......



Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

General American Transportation Corporation

"As a subscriber to your magazine I would be interested in receiving recent data on General American Transportation Corporation. What were the earnings and dividends in the last two years and what is the outlook for the company?"

L. C., Lancaster, Pa.

Net income of General American Transportation Corporation for 1954 was $11,380,466. Based on the average of 2,253,553 shares outstanding during the year, earnings were $5.05 per common share. General American calculates its earnings on the basis of average outstanding shares during the year in view of the fact that on August 17, 1954, it acquired the Fuller Company of Catasaeuqua, Pennsylvania in exchange for 186,200 shares of General American stock. At the year-end, General American had 2,373,816 outstanding shares.

The mainstays of the company's operations, the Car Leasing and Tank Storage Terminals Divisions, continued to expand and prosper. During 1954, 245 DF cars were built and leased to railroads and 675 more will be built and delivered during 1955. 475 Airslide Cars were built in 1954, and more than 200 cars are on order for delivery in 1955. In 1955 additional storage tanks will be erected by the Terminal Division.

The year 1954 has been an important period for the company: the Plastics Division, which is the largest producer of moulded parts in the country, added new equipment and new processes. The Kanigen process of chemical nickel plating, developed by the company in 1953 made impressive forward strides and in 1955 a third plating plant will be built at Sharon, Pennsylvania for Kanigen plating the interior of tank cars. The process was licensed in Great Britain and Continental Europe during 1954, and initial payments under licenses will aggregate $600,000 by the end of 1955, excluding royalty payments on all nickel deposited by the licensees.

Perhaps the most important step in the expansion of General American facilities during 1954, was the acquisition of the Fuller Company, an engineering and manufacturing concern specializing in the pneumatic conveying systems, cement manufacturing equipment, cooling and heat recuperation equipment and industrial compressors and vacuum pumps. The Airslide Conveyor, a Fuller patent, comprises the heart of General American's Airslide car. Fuller operates two plants in Pennsylvania, and many of its operations tie in closely with General American facilities. The special equipment and skills of the Fuller organization present an opportunity for future growth. The operation, combined with General American, is now enabling the company to operate complete service, whereas Fuller formerly sold only its own special equipment. The Fuller Company has a good earning record in addition to its physical assets, and the combination of the two companies will aid in greatly expanding the research and development in old, new and possibly unexplored fields. The result of that research and development is expected to bring new products to be manufactured in the company's existing facilities. The outlook over coming months appears good.

Dividends including extras totalled $2.62½ a share in 1954 and 62½ cents is the current quarterly rate.

Northern States Power Co.

"I am interested in a utility company that has shown stable earnings over the years and also now offers at least moderate growth prospects over the coming years. Would Northern States Power (Minn.) qualify as such an issue?"

T. R., Milwaukee, Wis.

NORTHERN STATES POWER (MINN.) serves electricity and gas to a population of about 2 million in Wisconsin, Minnesota and the Dakotas. The principal operating properties are around Minneapolis and St. Paul. Operating economies are expected to result from the construction of new generating plants. Gradual growth will further enhance revenues. In spite of common stock dilution resulting from recent financing, earnings are expected to hold fairly close to last year's results. The 20c quarterly dividend is considered secure. Doubling of the demand for electricity in the next ten years in Northern States Power Company's four-state area was forecast by the company recently in view of the general economic outlook for the region and the steadily increasing use of electrical home appliances.

(*Please turn to page* 126)

Oil Industry Fighting to Hold Gains

(*Continued from page* 101)

methods account for about 10 per cent of the company's net crude oil produced.

Barring almost unlimited capital to toy with large scale exploration programs, some of the smaller refining companies are looking for expansion through merger with producing companies holding substantial reserves. The crude producers enter into combination to acquire a stake in refining which should act as a hedge against the time when allowables are reduced again. Refiners, on the other hand, are joining with producers in order to assure themselves of a large supply of self-produced oil.

In evaluating the investment quality of any oil producer, several not too obvious questions must be answered. Important indicators of its value are the sales, earning and dividend rates. However, profit margins and disbursements tell only part of the story. A company which has substantial reserves of gas and oil may actually be more valuable than one which earns and pays more.

A popular pastime of some analysts is the determining of relative value of oil companies by relating the price of shares to the number of barrels of oil reserve for each share of stock the company has outstanding. Nothing could be more misleading than such a comparison without voluminous and virtually unobtainable information about the nature of these reserves. First, reserves are expressed in three different terms—proven, probable and possible and the published amount is often not clearly defined. Secondly, oil in the ground located near a pipeline or other customer is certainly worth much more than oil in a field considerably distant from pipelines or markets. And, of course, the companies which have substantial interests in foreign countries through partly owned subsidiaries rarely include their pro-rata portion of reserves in these companies in published total of holdings. The position of reserves in relation to value, however, is understood by the fact that more than half of the industry's capital expenditures is spent for exploration and production facilities for crude.

Meanwhile, the refiners are reducing their dependence on markets for oil products by continuing to diversify into chemicals and synthetic rubber.

Generally, chemicals play a minor role in determining the rate of profit although their stake is growing rapidly. One wonders whether it is growing too quickly. Considerable capacity to produce agricultural chemicals such as fertilizers may hurt the market when they are all put "on stream" in the same year.

Nevertheless, the earnings pattern for these companies is expected to appear favorable this year as long as forecast gains in oil consumption are realized.

On the basis of modestly higher earnings, oil shares are capitalized conservatively in terms of earnings and dividends. Prices have been lagging in the current market upswing while sales and earnings have been holding even with previous records.

Dividend payments are usually not too large in terms of cash flow. The large capital requirements of growing companies in a growth industry explain the necessity, if debt is to be avoided of plowing back a large percentage of earnings. Companies which buy synthetic rubber plants from the Government will require substantial sums, as a rule, to cover the cost of their purchases.

The companies which produce domestic crude oil may be adversely affected by reductions in the rate of allowable output although comparisons with last year will not look bad because of the sad state of affairs in 1954. Domestic refiners should continue to show expansion of sales though competitive product pricing will keep earnings under pressure. International companies should be influenced by a combination of both factors mentioned above with imports curtailed to aid the domestic supply-demand balance in crude. —END

Can International Nickel Hold Earnings Pace?

(*Continued from page* 104)

otherwise would not be commercial.

These developments are but a part of mining and metallurgical progress climaxing years of planning and research, involving, since early in World War II to the close of 1954, capital expenditures from company funds of close to $200 million. It is estimated that for the current year capital expenditures of between $25 and $30 million will be required in connection with completion of the first unit of the plant for treating the nickel-bearing pyrrhotite and for further expansion of underground mining facilities.

To assure the replacement of the large tonnage of ore which capacity production schedules consume, Nickel is constantly exploring for additional nickel deposits. Its success in this effort, together with its ability to increase extraction through improved metallurgical processes is indicated by proven ore reserves at the beginning of 1955 of 261,619,020 short tons as compared with 261,541,259 short tons a year earlier. This gain was achieved notwithstanding that tonnage of ore mined during the intervening year totaled 14,456,254 short tons. More striking still is the fact that over the course of the past five years of capacity production, ore reserves were increased by more than 72.8 million tons, offsetting 63 million tons mined in that period, the net gain amounting to a little more than 9.8 million tons, the company thus entering 1955 with both tonnages of ore and of nickel content the highest in its history.

Nickel also began 1955 in the strongest financial position of its long career. As a result of peak production in 1954, net earnings of $65.2 million, aided to some extent by lower taxes following the expiration of excess profits taxation in the United Kingdom as well as in the United States, represented a net profit margin of 18.5 per cent. This showing was equal to $4.35 a share for the common stock, a record high and comparing with $3.55 a share earned in 1953, and $4.18 a share in 1951, the previous best year.

Although Nickel adhered to its regular $2 a share annual dividend rate in 1954, as it has since putting the common stock on that basis in 1947, it was more liberal in its year-end extra distribution which amounted to 90 cents a share, bringing total payments for last year to $2.90 a share, as against 1953 total distributions of $2.35 a share. But even with the increased 1954 payments, Nickel was able to report retained earn-

(*Please turn to page* 118)

Can International Nickel Hold Earnings Pace?

(*Continued from page* 116)

ings of more than $21 million. Its net working capital at the end of the year was at a record high of $211.4 million. Among current assets of $263.6 million, more than five times current liabilities og $52.1 million, were cash and marketable securities totaling $125 million.

The strong finances and good earnings outlook for the current year, enhanced by 36 cent copper, may presage more liberal dividend payments for the common stock. Some indication of this is seen in the increase to 55 cents in the quarterly rate this year, this action providing a base for the belief that the year-end extra may be slightly larger than the 90 cents paid at the close of 1954. Assuming, however, that dividends this year will not exceed $3.20 a share, the common stock, at its current market price, is selling to yield 4.8 per cent. At this price level International Nickel common stock continues to be attractive on a long-range basis for growth potentials.

—END

The Editors' Investment Clinic

(*Continued from page* 105)

experience in the field of investments and who, therefore, ought to be hardened against all manner of surprises in connection with the habits of investors, that many investors without more than a few moments consideration will risk substantial sums, for which they may have worked and saved for many years, in stocks which they know nothing about. This can only arise when the investor throws down his guard and thereby opens himself up to outside influences which momentarily may seem convincing but which may run contrary to his actual needs and objectives. It is at this point that the emotional state of the investor may come into play to his disadvantage, for if the investor is already psychologically conditioned to view the future of a particular stock in a particular way there is no means left to him to make an impartial and sound appraisal of its prospects.

That is why the hasty reading and interpretation of headlines or the acceptance of a casually-thrown out remark in a broker's office in just a few minutes can have a far-reaching effect on the investor's destinies that can last for years.

A subscriber recently described what happened to his portfolio when he became frightened at the possibility of a bear market. He writes as follows:

"At the end of World War II, I had $60,000 of war bonds which I sold, transferring the proceeds to sound common stocks such as DuPont, Monsanto Chemical, Union Carbide, Union Pacific, Int'l Paper, Amer. Tel. & Tel. and B. F. Goodrich. The reason I bought these stocks was that I could see that inflation was coming and that common stocks would be a good hedge. During all this period, I have continued to hold these stocks, in fact, adding to them by dividends received. During all this period, nothing induced me to take profits though these stocks were now worth a great deal more than I paid for them. Yet, the other day when the market broke sharply after the Senate investigation on the stock market started, I had the bad luck to talk to several nervous investors at my broker's office so that when they commenced to liquidate their holdings, I imitated them. Now, in addition to losing my position, I must pay the 25% capital gains tax, leaving me in a difficult position. I realize that by my hasty action, I spoiled my whole investment program. Now, I must start building it up all over again. Having gone through this experience, never again will I make a sudden investment decision."

We cite this as an example of how investors, overcome by sudden fright, can do irreparable damage to their holdings if they do not make the necessary effort to resist their momentary emotions in the stock market. Another letter from a subscriber shows the effects of a feeling of excessive optimism:

"I have always been a careful and rather plodding sort of an investor, sticking to the safest type of investment stocks. Some of these stocks did pretty well in the market but others remained fairly static. As I compared the sluggish action of some of these holdings of mine with the tremendous rises in individual stocks on the Stock Exchange, I decided that I should abandon my super-conservatism and try to make some "real" money. Unfortunately, I waited too long and now I am "hung up" with some high-flying stocks which now net me some substantial losses. It seems that I got too daring at the wrong time. This will be a lesson to me to stick to the investment program with which I feel most comfortable. The big speculative stocks are not for me." This interesting letter portrays a common mistake among investors, which is to ignore their long-standing investment program in favor of a temporary "flyer" in the market. The fact of the matter is that if the investment program has been properly laid out, it will not be necessary to take unwise chances. If the stocks are well selected, they will perform their task even though it may take a little longer to produce results than in the case of the volatile issues.

In conclusion, it is worth stressing that the investor must always guard himself against the temptation to yield to his particular emotional state when he is particularly susceptible. If he recognizes the fact that he is emotionally disturbed, he will do the right thing and temporarily put his stocks out of his mind, until he is able to regain the equilibrium needed to do real justice to his investments.

A list of sound common stocks suitable for long-term investment purposes is presented in the table accompanying this study. —END

The Intensive Drive in the Chemical Industry

(*Continued from page* 93)

from plastics. Spurred by a rise in national income, manufacturers are heading for a new record in sales of plastic this year. Shipments in 1954 declined only 3 per cent from the 1953 record, according to official tabulations, despite a general downtrend in industrial activity.

Notwithstanding indications of abundant supplies of basic raw materials and even some excessive plant capacity, industry leaders are looking ahead to future growth. Expenditures on new

(*Please turn to page* 120)


RESEARCH MAKES MARKETS
Chemicals are modern tools of industry. Every year more of them are used to improve processes and produce better products at lower costs.
American Cyanamid Company is working constantly to develop new chemical products and new uses for existing products through well-directed research . . . to create and build new markets for the many industries it serves. May we help *you?*
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NEW YORK 20, N.Y.

The Intensive Drive in the Chemical Industry

(*Continued from page* 118)

plants this year are being projected at $1.5 million, compared with an estimated $1.2 billion spent in 1954. This evidence of optimism stems from the industry's successful 1954 showing in boosting sales and earnings in the face of a general contraction in most industries. Expansion in demand for agricultural chemicals contributed to high level of sales. Net profit for a representative group of almost 50 chemical companies registered an improvement for the year averaging 18 per cent.

Elimination of excess profits taxes accounted in large measure for progress in earnings. Liberalization in depreciation policies authorized under the 1954 Revenue Act promises to spur modernization of plants and should lead to economies in production. Benefits of expenditures in this direction seem likely to develop over the years after heavy depreciation charges are ended.

If the chemical industry continues to stress expansion over the next decade or two, as industry experts anticipate, emphasis more than likely will be placed on low-cost materials that can be produced in large volume with minor utilization of manual labor. The two areas offering greatest promise are plastic and synthetic fibres. Combination of plastics with glass fibres, for example, is opening wide opportunities in the automotive industry for development of materials that can be substituted for steel and non-ferrous metals at large savings.

Forecasters are envisioning expansion of the industry four-fold in the quarter-century between 1950 and 1975, and in this same period many observers look for plastics to expand at least 1,000 per cent. In fact, plastics products have become so important with several major producers of chemical products that they account for 25 to 30 per cent of sales. All in all, the chemical industry shows promise of maintaining a rapid growth over the next decade or two notwithstanding remarkable achievements since the war have seemed to borrow progress of the future. —END

Atomic Energy for Industry Gaining Momentum

(*Continued from page* 76)

"We believe that the proper approach was to consider a reactor in the same manner as we would any other addition to our system and to go about purchasing a reactor in the same way we would go about the purchase of any other addition. The second fundamental principle was that we would finance the plant ourselves and that we would not seek government assistance. In other words, our chief objective has been to get something done, for we firmly believe that only by actual construction of projects can the nuclear art be placed on a commercial basis."

In the meanwhile, it has been said that the Detroit Edison Co. will announce plans soon to build a new 100,000 kilowatt reactor. In New England, The Yankee Atomic Electric Co., organized by 12 companies of the region, is planning a 200,000 kilowatt nuclear electric plant. Almost coincidental with these reports, General Electric, Babcock & Wilcox Co., and General Electric Co. have announced plans to build nuclear power plant equipment.

The companies mentioned in the preceding three paragraphs are staffed by men of vision, not visionaries. Their approach to "atoms for industry" is courageous, not rash. They are looking to the future, perhaps a future which bespeaks a source of energy, not be subject to the irregularities of fuel supplies which can be curtailed or cut off by transportation failures or labor stoppages in mine and oil field.

The Atom and Transportation Industry

It is now time to move along to the atom's future in the transportation industry. The atomic powered submarine "Nautilus" stimulates the imagination, points up many things. The "Nautilus" has very definitely proved that an undersea craft can be successfully powered by the atomic reactor—*ergo*, the surface vessel can be powered by the same method. It hasn't been done yet, but reactors for surface ships are on the drafting boards of three American shipyards and builders of marine engines. Of necessity, initial costs will be high. Perhaps the government may have to subsidize the first few. Such subsidies, however, will be investments in defense. Developments in atomic power for merchant vessels will make possible the super fighting craft of the future.

For the shipping industry, the nuclear powered vessel will mean great economies in operation. Fuel costs will be lowered, and space heretofore used for fuel storage will be available for pay cargo. Further, the "Nautilus" has demonstrated that the nuclear powered vessel can travel at speeds greater than those conventionally powered. Thus we see investment opportunities in those companies today exploring the atom's potential for "sea duty."

What can be done by atomic energy for marine propulsion eventually will be done for land transport. The atomic "fired" locomotive is not "just around the corner," but it is in the minds and on the drafting boards of railway executives and engineers. There are space and weight problems to be overcome, caused by shielding for the radioactive elements in the reactor. These are problems which will surely be solved by research.

In the making, is the nuclear powered aircraft. It may be 10 years in the future, but two or more top plane builders are doing the necessary research, as are several builders of aircraft engines. Who all of them are, the progress they are making, are data still falling within the AEC's security regulations. John J. Hopkins, president of General Dynamics Corporation, which built the "Nautilus", has said that his company is working on the atomic plane at its Fort Worth plant. (Mr. Hopkins has given The Magazine of Wall Street an exclusive statement which appears on the second page of this article.)

The atomic powered automobile? Studies are going forward in this area. The serious problem here is the weight necessary to adequate shielding against radioactivity. However, the atomic powered automobile should not be written off as an impossibility. The only thing mechanically impossible to today's engineer is scratching his back with his elbow.

Specialized Use for Radioactive Materials

Thus far discussion has been

(*Please turn to page* 122)

Atomic Energy for Industry Gaining Momentum

(*Continued from page* 120)

confined to the atom as a source of electric power and as a means of propulsion and locomotion. It is in these areas that the atom will play its greatest industrial role. However, the atom will have literally hundreds of other industrial and scientific applications. Radioactive materials are even now proving their value in the measurement of cutting tool wear, making for better, more durable heavy duty machine tools.

The oil industry is using radioactive elements in dozens of operations from exploration to refinery.

The Radio Corporation of America has developed an atomic battery so small that we may well look for revolutionary changes in those electronic devices heretofore dependent upon the bulky dry cell. It is reliably reported that tiny atomic batteries are now powering delicate electronic instruments in the heads of guided missiles, possible forerunners of the space ship of some future generation.

Medical science has turned to the atom for actual therapy, help in diagnosing diseases, and for accurate study of the course of drugs through the human body. Experiments in the field of agriculture point to uranium and other highly radioactive elements as aids to plant life, superior to some of today's chemical fertilizers. This does not mean our fertilizer industry is in peril. Ahead are years of intensive research—not only on uranium's effect on plant life, but on how to use radioactive fertilizers without serious physical harm to the handler.

Potentials of the atom seem limitless. The reporter who would write on the subject learns something new every day. His story could be written until the very start of the publisher's press and, as he ripped the last sheet of paper from his typewriter, something entirely new about the atom would be called to his attention.

However, the atom for industry is here! It has arrived as a force to be reckoned with; a source of power and wealth for industry and investor alike. Space limitations will not permit listing all of the firms actively engaged in some phase of atomic research and production. It is possible, though, to list the names of those companies who presented witnesses at the Joint Congressional Atomic Energy Committee hearings which opened in January and were concluded March 3. The important ones are presented here in order of their appearance, and without reference to the amount of money they have spent or plan to spend in research and development.

Detroit Edison Co.; Consolidated Edison Co. of New York; General Electric Co.; Foster-Wheeler-Pioneer Service; North American Aviation, Inc.; Portland General Electric Co.; Rochester Gas & Electric Corp.; E. I. du Pont de Nemours & Co.; Riley Stoker Corp.; Combustion Engineering, Inc.; Sylvania Electric Products, Inc.; South Carolina Electric & Gas Co.; Walter Kidde Nuclear Laboratories, Inc.; Pennsylvania Power & Light Co.; Monsanto Chemical Co.; American Machine & Foundry Co., and Yankee Atomic Electric Co. In addition to those testifying before the Committee, there is presented herewith a partial tabulation of companies, some of which are listed above, now engaged in various phases of atomic development.

The atom story would not be complete, insofar as the investor is concerned, without some mention of uranium stocks, now being offered by numerous companies in various parts of the country. There can be no doubt that many of the offered stocks are questionable. However, the presence of these "shady ladies" should not prejudice one against the honest and respectable maidens who offer their suitors a reasonable chance for happiness in the form of profits. It would be impossible to analyze all of the uranium stocks which have been offered at prices ranging from one cent to several dollars per share. Many of these stocks are offered with a frank statement of their speculative nature, others are offered without reference to speculation.

Despite careful policing by legal authorities and the stock exchanges, some of the stocks advertised are not even as good as speculative. In this area, one can best follow that old and dependable adage, "Before you invest, investigate."

That the uranium field offers high future returns cannot be gainsaid. It is less than a week since the AEC had this to say:

"Today the United States is one of the world's leading uranium producers and our production is expanding rapidly. Seven years ago we had practically no production, estimated proven reserves of uranium ores were less than current annual production and our potential reserves were largely a matter of geological conjecture. . .

"During the past year important uranium deposits have been found by private operators drilling on the basis of geological evidence. . . . Individual prospectors and miners, so important in the early discovery of the country's mineral resources, have been responsible for the discovery of many uranium deposits. . . . They are now at work in Nevada, California, Idaho, Montana and many other states."

In conclusion, one cannot find it difficult to agree with the industrialist who was moved, earlier this year, to declare, "The Atomic Revolution is here." What the investor gains from it will be limited by only two things, the amount he has to invest, and the care with which he invests. Those corporations which were successful in their respective fields prior to the advent of the atom as an industrial force, are most likely to meet with success in their atomic activities. Their managements see the atom's potentials and they have the research facilities and engineering skills to extract the maximum from this great source of power, which for generations will remain a complicated mystery to the man in the street. The companies which are now taking the lead in this vast development are obviously in the most advantageous position to profit from their experience and know-how. This is a priceless asset which possesses an undeniable appeal to far-seeing investors. —END

Appraising 1955 Dividend Trends For Groups—For Companies

(*Continued from page* 83)

Earnings of these companies are running at levels over twice current dividend payments, so further good news may lie ahead for shareholders in the next year or two.

In the oil group, six large companies voted extras or stock splits. The favorable outlook for in-

(*Please turn to page* 124)


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Appraising 1955 Dividend Trends For Groups— For Companies

(*Continued from page* 122)

creased sales and earnings this year has contributed to this trend. As the year progresses, other members of this group may see fit to take action on improving the stockholders' return.

In the rail group, three companies boosted dividends. The earnings of leading rails have been steadily improving, with the gain in carloadings, and this group should continue during the rest of this year to provide good dividend news.

The rise in utility dividend payments reflects big gains in sales of electric power and gas, particularly in areas where industrial production has been increasing rapidly. This includes the Pacific Coast, the Southeast, the Southwest, and certain midwest areas, such as Cleveland and Cincinnati. Further gains lie ahead in this group, for it is expected that power needs will double over the next decade. Atomic energy installations appear to be viewed with increasing favor, and these will add to the gains of the power industry over the next decade or two.

Aircrafts, which fared extremely well from the dividend standpoint in 1954, continued to do well in the first quarter, with increased payments by several companies. The bulk of the annual defense cost of $40 billion is going into aircraft, and the rising tide of missile production is a plus factor for many companies in this industry. The only threat to the industry is the possibility that a restrictive type of renegotiation may be re-enacted. The fear of such a policy may tend to restrain the directors of some aircraft companies from voting splits or big dividend boosts, during the next year.

In the paper industry several companies have declared extra dividends in the last three months, and more can be expected to do so before the year is over. The rise in paper use in this country has been so large that this industry is entitled to a "growth" rating. Prices were relatively steady during the dip in sales last year, and with volume now moving up, results for the year should be better than in 1954.

Only a handful of machinery companies raised their dividends in the first quarter. Most of the companies in this industry reduced their backlogs sharply last year. In some cases, their unfilled orders are now increasing rapidly, but other companies in this group will have to wait for an upturn in the second half before they rebuild their backlog.

Machinery companies which should be finding business better in the second half include machine tool producers; electrical equipments, like General Electric, Westinghouse and Allis Chalmers; and the makers of steel rolling mills, like Mesta, Blaw-Knox, and United Engineering and Foundry. Dividend action in this group will be keyed with actual shipment gains, which normally follow improved order booking by a half year to a year or more.

The motor group with one or two exceptions, has been noticeably absent from the list of companies which have raised dividend payments this year. While the industry has been breaking production and sales records, labor problems loom ahead in the form of the demand of the United Auto Workers for a guaranteed annual wage. This matter should be cleared up by mid-year, but the threat of strikes meanwhile is making boards of directors ultra-conservative. By the second half, if the annual wage demand is disposed of satisfactorily, auto producers — including independent makers and parts producers, may be in a position to raise dividends or resume those which were suspended or reduced in 1954.

Merchandising or variety stores may also be in a position to vote extras in the second half, if current sales gains continue. The list of companies which have reduced or omitted dividends in the first quarter is small. It includes three textile companies; a tobacco company; a railroad equipment producer and one motor truck companies in the accompanying table have reduced or omitted dividends. There is no reason why the number of companies reducing dividends should rise during the rest of this year, unless an unexpected recession in business is encountered, or unless war in the Far East should create a new international crisis. The momentum of the business recovery should tend to hold adverse dividend action to a low level. But by the end of this year, the political situation will increase in importance, and much will depend next year on whether President Eisenhower agrees to run for another term.

For the year as a whole, dividend payments should total at least $10 billion, or about 7 per cent more than the total for 1954.

Among leading companies which have not as yet increased their dividends but which seem in a position to do so in the remaining months, a few outstanding candidates are: Kennecott, Phelps Dodge, Climax Molybdenum, Union Oil of Califrnia, Great Northern Railway, Westinghouse Elect., Int'l Paper, DuPont and Reynolds Metals. —END

For Profit and Income

(*Continued from page* 107)

ity and perhaps more frequent corrections than in 1954. For the first quarter as a whole, the net change in the Dow industrial average was a gain of less than 1.4%, that for the rail average a gain of slightly over 3%. Not a single stock in either average was a sensational first-quarter performer; and dynamic gains by issues outside of these averages were relatively few.

Sheep And Goats

Among the Dow industrials the best first-quarter performers were Bethlehem Steel with a gain of roughly 20%, Texas Company about 10%, U. S. Steel roughly 8%. Twenty of the 30 issues were either down from their December 31 closing levels or only insignificantly higher on a percentage basis. Among gainers other than those cited, gains ranged from around 3% to 6%. Among the Dow rails the biggest rises in the period were roughly 14% for Delaware & Hudson, 12% each for New York Central and Pennsylvania Railroad, nearly 8% for Atchison, roughly 7% for Baltimore & Ohio, and around 6% for Kansas City Southern, Southern Pacific and Southern Railway. Half of the twenty issues either lost a little ground or had nominal gains.

Groups

Few stock groups show standout strength as this is written.

(*Please turn to page* 126)

For Profit and Income

(*Continued from page* 124)

Those turning in an above-average performance include coppers, auto parts, aluminum, machinery, oil, paper, railroads, rail equipments, drugs, department stores, office equipment, sugar and ship-Baking. —END

Stocks

Individual stocks faring better than the general market in recent trading up to this writing include American Steel Foundries, Anaconda, Sharon Steel, Wheeling Steel, Shamrock Oil & Gas, Merck, Mead Corp., Industrial Rayon, Bayuk Cigar, Foster Wheeler, Dome Mines, American Bosch, Andes Copper, Atlas Corp., Atchison, Eaton Mfg., Houston Oil, Melville Shoe, Mercantile Stores, Pure Oil. Worthington and Parke, Davis. On the other hand, some "soft sisters" in varying degrees in recent sessions include American Safety Razor, Anchor Hocking Glass, Crown Cork, Distillers Corp.-Seagram, Northrop Aircraft, Ruberoid, Stauffer Chemical, Victor Chemical Works, White Sewing Machine, and Ward Baking.

A Realistic and Uninhibited Approach to the Business Outlook

(*Continued from page* 80)

problem is with the little fellow who is virtually cut off from substantial buying above actual needs, when he has to face such a loss in income.

In cotton, similar conditions prevail and, in some respects, they are even worse than in wheat. In 1953, when cotton was off allotments, the take was $3 billion. In 1954, under controls, farmers received about $2.5 billions but this year, even though prices are supported at 90% of parity, cotton income for farmers will be down to $2 billion. The nation's cotton farmer therefore has lost a billion dollars in income in the past two years. This is a serious matter to cotton-growing regions.

One of the greatest difficulties in the way of restoring prosperity to the farms is that the American grower has lost a good part of his foreign market. Exports are off about 30% and are hardly likely to increase in the near future, as foreign producers are steadily increasing their own acreages and home markets. This, obviously, means less business for the American farmer. Thus far, no one has come up with a fundamental solution. Here, therefore, is one of the few really weak elements in the American economy as of today.

Will We Have Strikes?

Another situation which can give trouble is the labor union-management dispute which is on the verge of coming into the open and from which we will be hearing in the next few weeks. Some have laid great stress on the possibility of a real labor upheaval this sumer but the cards are against it, in actuality. For one thing, the cost to the main contenders, auto and steel, would be prohibitive and, for another, labor union membership is not in the least anxious to lose wages through a prolonged strike.

Those best informed believe that the auto barons will come to some sort of a compromise with the auto union on the guaranteed wage question. This compromise will not settle the basic issue but, in effect, shove the problem under the rug for another year. Neither the auto companies, nor the CIO United Auto Worker's union cares to risk a real show-down at this time. If this estimate is correct, there will be no disastrous labor stoppage in the auto industry this summer though surface appearances, at times, may give cause for worry. In any event, a real interruption to production is not expected. The same seems to hold true for steel and other industries now involved in wage disputes.

On an over-all basis, therefore, with the exception of the farm situation which is undeniably unsatisfactory and the home mortgage situation which has risky potentialities, the business picture for the months ahead seems quite favorable. From present indications, giving full weight to the weaker elements in the situation, it would appear that while a boom does not appear in the making as yet, we may be heading for a "boomlet" in a few months. Should the expected summer lull not develop beyond normal seasonal dimensions, it is not beyond the bounds of credibility that the business plateau reached next autumn could furnish the base for a rise in business volume next fall and winter to break all records to date. This estimate, of course, presupposes that we remain in a state of what has come to be known as peace in these latter days. All bets are off, if we land in a major war.

And, always fundamental to the American economic scene is the steady increase in population and the constant increase in the needs and desires of the American consuming public. This is the basic factor in the picture, to which we have alluded in the beginning of this article. To date, it does not appear to be losing any strength. In fact, there is at least an even chance that, after summer, it will gain in speed and dimension. —END

Answers to Inquiries

(*Continued from page* 115)

Growing use of electricity in the home, on the farm and in industry helped to increase Northern States Power's revenues from electricity, gas and other utility services by 7.5% in 1954 to $117,739,000 for a new sales record for the 21st consecutive year.

Operating expenses rose 8%, to $95,817,000. Taxes climbed another 5% to $28,297,000, taking nearly 25¢ out of every dollar that customers paid the company.

Earnings were $1.07 a share on the 13,418,408 common shares outstanding December 31, 1954. This was down slightly from 1953 earnings of $1.10 a share due to the larger number of shares outstanding in 1954.

In predicting double use of electricity in the next decade, the president pointed out that the company's average farm and home rates are now 50% cheaper than 25 years ago.

The company's residential sales have been continuing to rise at an increasing rate—with 1954 showing an 8.5% increase compared with 7.7% in 1953 and 6.8% in 1952. The 1954 increase was due to a 5.3% rise in current used by the average home plus a continuation of brisk home-building that accounted for 13,000 new residential customers.

Like the homemaker, the farmer is also harnessing electricity more and more to lighten drudgery, and produce more in less time. The average rural customer of Northern States Power

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Answers to Inquiries

(*Continued from page* 126)

used nearly 10% more kilowatt hours in 1954 than in the preceding year.

To keep ahead of the steadily increasing demand for electricity, the company has increased its power supply 118% since World War II, investing nearly $50 million in new, more efficient facilities in 1954.

Another 100,000 KW generator unit of the most modern, high efficiency type is scheduled to go in operation this year. The units added in 1954, with a capability of 145,260 KW, brought the company's total electric generating capability to 1,231,205 KW.

In addition to new generating units, new facilities or services provided during the year included: 220 miles of new high-voltage transmission lines, 103 miles of new gas mains with 184 more miles scheduled for 1955. Natural gas service was brought to Red Wing, 12th community in which company supplies natural gas. There were 8000 gas space heating customers added also.

Prospects over the near and long term appear favorable.

Union Bag & Paper Corporation

"I took a trial subscription to your publication a few months ago and find it very informative and so plan to renew my subscription for a full year shortly. I would appreciate receiving late information on Union Bag & Paper Corp."

R. W., Appleton, Wisconsin

Union Bag & Paper Corporation is one of the leading manufacturers of paper bags and containers. Although demand for all these industrial paper products is cyclical, its underlying growth trend has permitted the industry to make major adjustments to normal competitive conditions from flush Korean War time operations without serious earnings impairment. Despite easing of industrial activity in the past year, sales have been maintained at practically peak levels as the company broadens its customer list. Through good cost control rather than EPT relief, net earnings in 1954 were up 9% over the preceding year. Dividends including extras totalled $3.50 a share last year.

Union Bag & Paper Corporation reported the highest tonnage sales of kraft packaging products in the company's history last year. Net dollar sales were second only to the record set in 1953, and an increase of 9% in net earnings was shown.

The company sold 570,084 tons in 1954, compared with 566,019 tons in 1953, the previous record high. Net sales reached a total of $105,502,849 in 1954 as compared with the all-time peak of $106,347,795 in 1953.

Net earnings reached $10,794,323, equivalent to $6.09 per share of capital stock on the 1,771,206 shares outstanding, approximately 9% higher than 1953 earnings of $9,889,161, or $5.58 per share on the same number of shares outstanding.

Last year saw the completion of the company's three-year expansion program at the Savannah, Georgia plant which brought rated capacity to 1800 tons per day. Expenditures for this program contributed substantially to improved earnings in terms of lower costs but the market did not provide sufficient demand to enable the company to realize the full benefits by utilizing the maximum capacity. The directors of the company have approved a major equipment replacement program at the Savannah plant over the next five or six years calling for expenditures of over $18 million to replace heavy equipment that has been in service for 15 or 20 years with modern, more efficient units.

Capital expenditures during 1954 amounted to approximately $6 million as compared with about $12,900,000 in 1953. Expenditures in 1954 included $1,400,000 for completion of a new warehouse building at Savannah and approximately $1,500,000 for the purchase of additional woodlands to insure a future supply of pulpwood, bringing total holdings to approximately 900,000 acres.

Union Bag & Paper is in a strong financial position, with working capital amounting to $23,343,781 at year-end 1954 and the ratio of current assets to current liabilities at 3.2 to 1.

Looking at the long-term growth prospects of the kraft paper industry, the president of Union Bag noted that between 1933 and 1953 population of the United States increased from 27% while per capita consumption of paperboard and coarse paper increased from 85.1 to 195.8 pounds. Over the next 20 years, the population of the country is expected to reach 200 million. This population growth should mean substantial growth in this industry. Prospects over coming months continue favorable.

The Square D Company

"Please indicate the nature of business of Square D Company and give last year's earnings, dividend payments and prospects."

M. L., Raleigh, North Carolina

Square D Company manufactures a wide line of products including switches, switchboards, panelboards, circuit breakers, etc. for utilities and industry. Company has shown sales growth but high labor costs have retarded gains to net. New plants may help but apparently a major modernization of older plants seems necessary.

A capital expenditure program that has doubled the manufacturing facilities of the Square D Company in less than ten years, will continue in 1955 with the completion in mid-year of new manufacturing plants in Secaucus, New Jersey, and Cedar Rapids, Iowa.

Net earnings of the 52-year-old manufacturer of electrical distribution and control equipment, which has plants in seven U. S. cities and in Toronto, and Mexico City, were reported at the third highest point in company history, exceeded only in 1951 and 1952 respectively. Net income for Square D and consolidated subsidiaries was $4,680,617, compared to $4,386,152 in 1953. Dividends of $2,819,734 represented a return to stockholders of $2.05 per share, identical to the amount paid in the two previous years.

The increase in earnings was attributed mainly to the end of Federal EPT taxes, rather than to net sales, which decreased to $55,855,938, as compared with $62,331,667 in 1953, including amounts of the wholly-owned Canadian subsiidary. The decrease in net sales during a year in which volume of the overall electrical industry was the second highest in history, compared to the peak year 1951, was primarily the result of a 108 day strike last summer and fall in the Detroit plant, one of the company's two largest manufacturing facilities.

There has been substantial progress in the company's product development program. During the past year, new lines of electrical distribution panelboards and switchboards — both featuring

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Answers to Inquiries

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flexible and uniquely-designed "plug-in" components — were brought to production stages by the Distribution Equipment Division, along with a circuit breaker lighting panel that represents a new engineering concept in this products field.

"The Industrial Controller Division, with a main plant in Milwaukee, devised new systems and controls applicable to automation, with some phases embodying the signs of electronics and launched a program of tooling-up for new assembly lines involving the largest expenditures for this purpose in the company's history.

In Peru, Indiana, Square D's Moulded Insulation Division, a major U. S. producer of plastic and porcelain insulation and structural components for electrical equipment, brought to the pilot production stage what is believed to be an advance engineering technique for cold mould processing. Products of this type have high heat resistant qualities, are stronger than porcelain, and correct certain electrical contact deficiencies inherent in plastic components.

The company's Western Division, which has a headquarters plant in Los Angeles, and regional assembly plants in San Francisco and Seattle, had an increase in net sales for the year, reflecting steadily growing operations. Capital expansion of the Aeronautical and Electronics Division on the West Coast, the further conversion of motion picture facilities to television production, and the high rate of residential construction, are factors contributing to increased sales.

As to international operations of the company, the Canadian subsidiary expanded sales volume during 1954 as did Square D de Mexico, S. A., which is jointly owned with Mexican business interests. Markets in Europe, South America and other parts of free Europe increased to a modest degree during the year. The company continued to observe closely various foreign market trends and financial aspects of business conditions generally, but planning for expansion beyond the North American continent must necessarily await further develop-

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Divergent Prospects

(*Continued from page* 97)

production at its new chemical plant, one of the most modern vinyl resin-making operations in the world while research on an expanded scale was carried on in organic chemistry, plastics, new rubber compositions, and in development of new products. Other activities are in the rocket and guided missile field, the development of General's "air springs" given wide acceptance for use in tractors, trailers and trucks.

Growth potentials of General Tire and Rubber in the tire and rubber industry and through its increasingly greater diversification in chemicals and allied fields makes the stock an attractive long-range holding. Dividends at the current rate of $2.00 a share annually are not likely to be revised upward in view of continued expenses for new products and new processes development. At current price of the common stock around 57, present dividend rate returns a yield of 3.5%.

(6) COAL ROADS

Railroad revenues of the majory of Class I roads for the first two months of 1955, graphically illustrate the substantial recovery that has been scored from the low levels of last year. In many instances, earnings, with better control of expenses and aided by increased operating efficiency as a result of modernization pro, grams, have risen in greater proportion, giving promise that with freight movements continuing close to current volume 1955 net income of the roads should show material gains over last year. Because of the greatly increased rate of steel operations and sustained demand for coal by electric utilities, it is likely that the Pocahontas coal roads, particularly Norfolk & Western and Chesapeake & Ohio, will show especially good earnings again.

Norfolk & Western Ry., operating results for the first two months of this year substantiate this expectation. Gross revenue of the road for that period amounting to $28.7 million, were up from $25.7 million for the like months of 1954. Still more striking, net income to February 28 last, of $3.7 million, after funds was almost double the $1.9 million reported for the first two months of 1954, in which year the road was able to show net earnings for the common equal to approximately $4.52 a share.

The improved earnings outlook and strong finances furnish a solid basis for the expectation that current dvdend of 75 cents quarterly and year-end extra of 50 cents could be increased. The common stock which sold this year at a low of 48¼ is currently priced at 53, off 1¾ points from its 1955 high. At its present price, the stock on dividends of $3.50 annually, yields 6.6%.

Chesapeake & Ohio's report for the first two months of this year, included the best February earnings since 1936, surpassing February, 1954, by 75%. In the two months of 1955, freight revenue of $49.8 million increased by about $5.5 million over the same months of last year. Net income in the two months of this year rose to $7.1 million from $4.4 million a year ago, presaging for 1955 a substantial gain in net income for all of 1954 amounted to $5.01 a share for the common stock. Enhancing C & O's outlook is the increased industrialization of its territory which has originated a marked increase in freight traffic in manufactured goods.

The common stock which is on a regular $3.00 annual dividend basis sold this year at a low of 42½, moving up to a high of 49⅞. Currently this issue is selling at 49¼ to yield 6.0%.—END

Answers to Inquiries

(*Continued from page* 130)

ments. The company occupies a basic position in the electrical distribution and control equipment products field, a field which has expanded greatly in the postwar years and this situation gives promise of repeating the performance in the years ahead.

Ohio Edison Company

"I have been a subscriber of yours for the past several years and have found your articles in the magazine and also the advice rendered by your Personal Consultation Service timely and sound. I would appreciate now receiving information on Ohio Edison Co. as to earnings, dividends and outlook."

R. G., Long Beach, California

Ohio Edison Company supplies electricity to a population of approximately 1,800,000 in Akron, Youngstown and surrounding communities. A subsidiary supplies electricity to a population of about 220,000 in western Pennsylvania. Although demand from the industry in this area over coming months is expected to hold relatively stable, operating profits should widen as a result of the economies stemming from new efficient generating plants. Growth prospects are moderately favorable. The 55 cent quarterly dividend appears secure and will be maintained.

Consolidated operating revenues of Ohio Edison Company and its subsidiary, Pennsylvania Power Company for 1954 totalled $109,513,428, a gain of slightly less than 1% over the $108,551,396 received in 1953.

Increased sales of electricity to residential, farm and commercial customers, which offset a decline in industrial sales for the first ten months of the year, were responsible for the operating revenue gain.

Operating expenses for the year declined 2.2%. The decline from $60,433,129 to $59,109,522, was due principally to lower generating costs.

Consolidated net income after preferred stock dividends amounted to $17,519,101, a gain of 5.4% over the previous year. Earnings were equal to $3.02 a share on 5,806136 shares of common stock outstanding at the end

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Japan's Shaky Economic Position

(*Continued from page* 89)

dollar advance against the locomotives.

Plea For Understanding

Although the external payments crisis seemed to have been averted, no great progress has been made in the permanent solution of the country's economic problems. A new crisis is almost certain to arise if Japan for some reason has to expand her imports, or if U. S. spending falls off faster than the exports can be expanded. The six-year program, which would increase the productive capacity at a faster pace than the population is increasing, offers one way out of the dilemma. But as was already pointed out earlier, Japan cannot support herself at a decent standard of living and at the same time divert huge capital resources—as, for example, Canada is doing—for the modernization and expansion of her industries. Japan will need our help whether we like the Hatoyama Government or not.

Like the Western Europeans, the Japanese people have reached the point where they have to reassert their national dignity. In matters of foreign policy they want to be consulted and not dictated to. They apparently abhor our attitude toward the so-called "offshore islands"; on the other hand, we may not like their rather naive attitude toward the Peiping rulers. While it is almost certain that the Hatoyama regime will be disillusioned about the China trade before very long, it would be a mistake at this point to dissuade Japan—if she is to continue as a willing ally and a free nation—from exploiting any possibility by which her economic collapse can be avoided. The alternative is our underwriting of Japan economically for an indefinite period—a course which also we are not likely to cherish.—END

In The Next Issue

Appraisal of Paper and Drug Companies

THE

CHASE MANHATTAN BANK

STATEMENT OF CONDITION, MARCH 31, 1955

RESOURCES

Cash and Due from Banks		$2,018,131,240
U. S. Government Obligations		1,701,666,145
State, Municipal and Other Securities		630,517,729
Mortgages		135,266,094
Loans	$2,974,014,748	
LESS: Reserve for Bad Debts	62,186,976	
Unallocated Reserve for Bad Debts	8,000,000	2,903,827,772
Accrued Interest Receivable		20,562,994
Customers' Acceptance Liability		113,212,430
Banking Houses		57,791,450
Other Assets		15,599,864
		$7,596,575,718

LIABILITIES

Deposits		$6,865,133,336
Foreign Funds Borrowed		17,344,308
Reserve for Taxes		31,843,946
Other Liabilities		39,573,079
Acceptances Outstanding	$125,486,964	
Less: In Portfolio	9,359,644	116,127,320
General Reserve for Securities		12,000,000
Capital Funds:		
Capital Stock (12,000,000 Shares—$12.50 Par)	$150,000,000	
Surplus	300,000,000	
Undivided Profits	64,553,729	514,553,729
		$7,596,575,718

United States Government and other securities carried at $594,888,677 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

On March 31, 1955, The Chase National Bank and Bank of the Manhattan Company joined forces as The Chase Manhattan Bank

What's New?

(*Continued from page* 113)

ering operations to the East Coast resulted in numerous technical and competitive difficulties, hindering earnings in this period. This widening of markets reflects more dynamic policy of management, with improvement in earning power for 1954 amounting to $1.15 per share compared with $.90 in the previous year. For the fiscal year ending June 30, 1955 net income is estimated around $1.25 a share with the possibility of a larger payment later this year than the $.25 paid last year.

Last month, Pabco bought a gypsum deposit in Nevada and plans to build a plant to serve the Northern California market.

International Minerals & Chemical Corp.: is a broadly integrated company with 58 manufacturing plants in all. It is the largest producer of phosphate rock in the U. S., and a major producer of potash. In recent years it has expanded into a wide range of diversified products as outlets for its basic raw materials. Acquisitions have aided in the growth of sales from $34.3 million in 1946 to $93.6 million for the fiscal year ended June 30, 1954 when net income amounted to $2.44 a share. High depreciation and depletion rates, expansion costs and losses in starting up new plants have held back earnings during the past two years. With the latest additions in operation, earnings should begin to reflect the growth potential. The $1.60 dividend rate may remain unchanged for some time, but the long-term outlook is excellent.

Hooker Electrochemical Co.: The proposed merger with Durez Plastics and Chemicals should open up a new field of growth for Hooker. Durez is an important manufacturer of phenolic resins and plastic molding compounds, and makes its own basic chemical raw materials. Hooker is a leading maker of polyester resins. Pooling of equipment and managerial talent is expected to strengthen and diversify the plastic operations of both firms, with the good possibility of further increasing sales of over 50% annually as a result of combined effort. In addition it is estimated that the company will expend a minimum of $5 million for new plant in 1955. Sales in the fiscal year ended Nov. 30, 1954 totaled $44.5 million compared with $38.7 million a year earlier. After a 3 for 1 stock-split, net income was equal to $1.20 a share against $.95 in fiscal 1953. Hooker, expertly managed and still a small company in the chemical industry, appears to have excellent prospects for considerable further growth over the longer term.

Owens-Corning Fibreglas: In establishing a new high at 85 in recent markets, the stock is still reflecting investor confidence in the company's growth possibilities. As the largest producer of glass fibers and related lines, Owens-Corning's research and promotion program has constantly opened new markets, expanding sales and broadening the number of uses for the basic product. In addition to competition, there are indications that demand from some established outlets is leveling off, but it is also true that other markets are growing, as evidenced by a sharp sales growth since 1949. In the past 7 years volume has increased 182% to a record of $136.4 million in 1954 when net income amounted to $2.68 per share, compared with $1.71 a share the year previous. For 1955 and 1956 the company is contemplating spending close to $20 million for expansion, including a new research laboratory. Owens-Corning, a prime growth issue, now selling on a 32 times price-earnings ratio, always appears to be discounting its prospects for some time ahead, but because these possibilities are definitely present in the impressive gains from year to year, investors are fully justified in holding the issue for long-term capital gain, preferably on a dollar averaging basis.

Oliver Corporation: While rather severely affected in recent years by the agricultural equipment recession, the company was able, with the timely aid of a large volume of defense business at a very good profit margin, to report an increase in earnings of $1.64 per share in fiscal 1954 from $1.18 a share in the year before which marked the low point in the three year decline. For the four months ended February 28, 1955, sales for farm equipment turned up ward increasing 7% over the 19 period, while net income ro sharply to $.62 a share again $.07 in the similar span 12 mont earlier. Another factor in t favorable outlook, is the mang ment's alertness in entering t profitable manufacture of ou board motors, which is headed f capacity production this year a a planned larger output in 195 The outlook, based on the promi ing trends of both normal lin and new products appear to pla Oliver in the strongest position a number of years. —EN

Answers to Inquiries

(*Continued from page* 132)

of the year, compared with $3.1 a share on 5,278,306 outstandin at the end of 1953.

Electric customers on Decem ber 31 numbered 578,218, up 15 536 from the previous year. continuing increase in populatio and a high level of new home co struction have been largely r sponsible for the steady annua growth in customers.

Residential customers ac counted for gains of 9.7% in re enue and 9.9% in kilowatt hour used over 1953. Commercial ligh ing and small power customer increased their use by 6.8%, whi revenue from this class of bus ness rose 6.4%.

Ohio Edison serves 98% of t farms in its service area and ele tricity is available to practical all of the remainder. In 1954 t average farm customer on t system used 5749 KW hours, co pared with 3154 KW hours f farms in the eastern half of t United States, where irrigation not a factor.

The year witnessed a continu tion of the extensive constructi programs that have been an i portant phase of the business the two companies comprising t system since the end of Wor War II and providing for growi electrical needs. Expenditures 1954 for property aditions a improvements totalled $54,49 641, more than half of it for add tional steam-electric generati equipment. The company placed new 212,000 KW power plant i operation at Niles, Ohio, duri 1954. Work was well advanced a two-unit addition to the pow plant in Belmont County on t

(*Please turn to page* 136)

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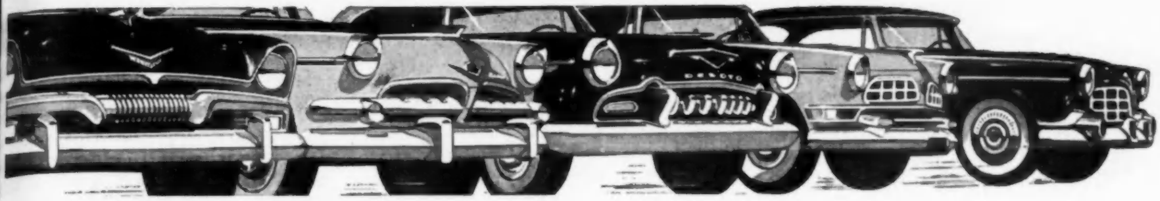
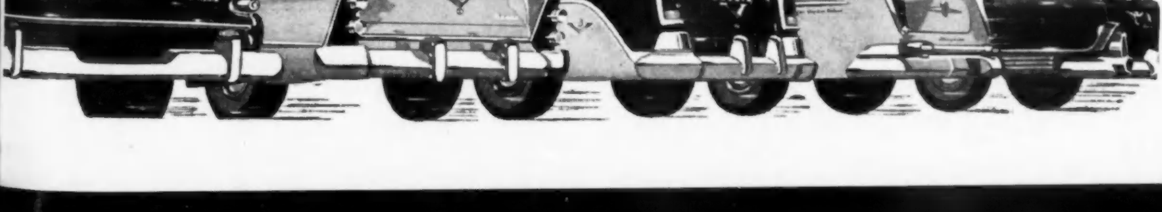




Answers to Inquiries

(*Continued from page* 134)

Ohio River. The first of this plant's 135,000 KW generator units is expected to be in service in April and the second in the summer of 1955.

Ohio Edison also commenced work on a 90,000 KW addition to its Edgewater plant at Lorain, Ohio, on Lake Erie, which is scheduled for completion in the summer of 1957.

Construction is ahead of schedule, on the two power plants being built on the Ohio River by Ohio Valley Electric Corporation and its subsidiary, Indiana-Kentucky Electric Corporation to supply all of the electric energy requirements of the Atomic Energy Commission's project near Portsmouth, Ohio. Ohio Edison and Pennsylvania Power are two of the 15 electric utilities that sponsored the organization of Ohio Valley Electric Corporation and its subsidiary. Two of the 11 generating units — one in each power plant—were placed in service in January. The two plants—one at Cheshire, Ohio and the other at Madison, Indiana—are expected to be in full operation in the spring of 1956.

The service area of Ohio Edison is expected to benefit substantially from the development of the St. Lawrence Seaway.

Prospects for this system continue favorable.

General Precision Equipment Corporation

"Please give me a review of recent operations of General Precision Equipment Corporation and outline the principal activities of this company and financial position."

N. H., Rutland, Vermont

Record sales and earnings, plus the start of quantity production of the most advanced system of automatic airborne navigation known to exist, highlighted 1954 operations of General Precision Equipment Corporation.

The new equipment togeth[er] with the acquisition last April [of] Link Aviation, Inc. were impo[r]tant factors in the continui[ng] change in the character of t[he] company's business. Today, t[he] principal activity is the desi[gn] and production of a wide ran[ge] of high precision instrument[s,] components and systems for i[n]dustry and defense. General Pr[e]cision Equipment products a[re] used by the Armed Services f[or] fire control, bombing, automat[ic] navigation and training, and f[or] the guidance, control and simul[a]tion of aircraft and missiles.

Sales of motion picture theat[re] equipment and supplies for whi[ch] the company has been predom[i]nantly identified for many yea[rs] —were the highest in history du[r]ing 1954. While output of defens[e] products accounted for the large[r] portion of net sales, the non-de[]fense business of the company group over-all reached record le[v]els last year. The acquisition i[n] January 1955 of the Griscom[b]

(*Please turn to page* 138)

"You bet I'm interested in *this* Report"

"I'm a Brooklyn Union customer and—also—my husband and I are Brooklyn Union stockholders. So naturally we like to know that our company is growing and keeping step with the steady development of Brooklyn and Queens."

In 1954, Brooklyn Union had its best year in two decades—

GAS SALES BROKE ALL RECORDS. Last year, gas sales were 30% above those in 1953. Arrangements were made for substantial new supplies of natural gas to prepare for this ever increasing demand.

THOUSANDS MORE INSTALLED GAS HEAT. The big swing to this clean, carefree fuel continued during 1954. About 50,000 Brooklyn Union customers have installed gas heating units.

PEOPLE ALSO PREFERRED MATCHLESS GAS COOKING. The majority of gas ranges we sold in the retail field during 1954 featured completely automatic oven, broiler, and top burner lighting.

ABOUT 100,000 MODERN GAS APPLIANCES WERE SOLD by Brooklyn Union and dealers in the area we serve. These appliances supplied major household services—home heating, cooking, refrigeration, water heating and clothes drying.

NEW MARKETS WERE DEVELOPED. The heavy sales of gas for heating during the winter months were almost balanced by the sale of interruptible gas to large industrial customers, chiefly during the warmer months. This helped to keep the cost of gas at a minimum.

Yes, we in Brooklyn Union had a good year and we look to the future with confidence in the growth and progress of our community and our company. Our "family" of over 3400 men and women will continue their efforts, through sound management and careful expansion, through reliable and efficient service, to bring better living to millions of people in Brooklyn and Queens.

STATEMENT OF GROWTH

	1954	1953
Net income	$4,649,677	$3,738,288
Earnings per common share based on 1,863,410 shares now outstanding	2.50	2.01
Dividends paid per share	1.60	1.50

You may obtain Brooklyn Union's annual report by stopping in at our Main Office or by writing the Secretary of the Company.

THE BROOKLYN UNION GAS COMPANY

176 Remsen Street, Brooklyn 1, N. Y. TRiangle 5-7500

Answers to Inquiries

(*Continued from page* 136)

Russell Company, leading manufacturer of heat exchangers and water purifiers, will expand the activities of the GPE Companies in the petroleum, chemical and marine fields, and in the industrial development of nuclear power.

Consolidated net sales of the corporation in 1954 totalled $123,-332,634, representing a 42% increase over the previous year's volume of $87,763,925. Consolidated net profit for 1954 amounted to $5,488,090, equal after preferred dividends to $6.49 per share on 797,121 average number of shares of common stock outstanding during the year. Net profit for 1953 amounted to $3,-436,349, or $5.09 per share on 649,087 shares of common stock outstanding at the 1953 year-end.

Net working capital on December 31, 1954 had increased to $41,411,723 from $18,651,901 a year earlier. Backlog of all orders on December 31, 1954, amounted to $98,233,000.

The new system of automatic airborne navigation represents the culmination of eight years of intensive research, design and development, centered primarily in one of the GPE Companies and supported by the facilities and personnel of others in the group. Production of this equipment, currently proceeding at a satisfactory rate, should be important for the GPE Companies in the future.

Principal subsidiaries are located in New York; Newark, New Jersey; Binghamton, New York; Cleveland, Toledo and Massillon, Ohio; Chicago, Illinois; St. Paul, Minneapolis; and Glendale and Livermore, California.

Dividends in 1954 totalled $1.90 per share and 60 cents has been paid thus far in the current year.

James Lees & Sons Company

"As offered to subscribers to your magazine, I would like your opinion on the prospects of James Lees & Sons Company for the current year. I know the carpet industry was depressed in recent years but has any improvement set in recently, particularly for James Lees & Sons Co.?"

A. R., Terre Haute, Indiana

James Lees & Sons Company is a large manufacturer of carpets, concentrating output principally in the medium and higher-priced lines. Knitting yarns are also a part of the company's business.

Sales of James Lees & Sons Company for 1954 totalled $62,-224,328, an increase of 3% over the $60,293,280 in the preceding year.

Net earnings last year were $2,802,465, a 12% decrease from 1953. This was equal, after allowance for preferred share dividends, to $3.31 a share on the common stock outstanding and compared with $3.76 in 1953.

The company continued its payment of $2.00 total dividends on the common stock and $3.85 on the preferred shares, as it has since it was marketed in 1946.

Working capital declined during the year, due principally to the expenditure of $3,850,000 for capital equipment. This expenditure was the largest of any single year in the company's history and principally was directed toward the completion of carpet yarns spinning facilities at Glasgow, Virginia, and expansion of tufted carpet output at Bridgeport. Despite the large expenditure of capital funds, the cash position at the end of the year exceeded $4,-500,000 with a book value on December 31, 1954 equal to $36.83 a share.

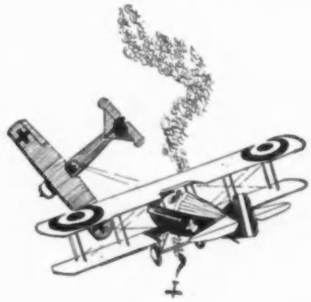
Plans for capital expenditures during 1955 are in excess of $2,-500,000, for further improvement of carpet and yarn manufacturing facilities. This brings Lees' post-war capital expenditures to a total of more than $22 million.

The tufting manufacturing process in the surface floor covering industry has shown continued growth and now accounts for better than 35% of the industry's annual business. The changes in manufacturing processes wrought by this growth of tufting manufacturing made it necessary during the year to announce the closing of obsolete plant facilities for the spinning and dyeing of carpet yarns at Bridgeport.

Retail inventories in the carpet industry are reported reduced to a conservative level and the record pace of new home construction continues. Although the company believes some additional non-recurring expenses will have to be absorbed during the first six months of 1955, Lees is looking forward to an improved volume of business on a profitable basis.

—END

A red-nosed Fokker slowly spun to earth



AT 4:35 P.M., on October 30, 1918, a lone Spad biplane, marked with the symbol of the "Hat-in-the-Ring" Squadron, hawked down through the quiet skies over Grande Pré. Seconds later, a twenty-round burst of its guns smashed full into the center of a low-flying Fokker and sent the German plane swirling earthward like an autumn leaf.

The C.O. of the squadron, Captain Eddie Rickenbacker, had downed his last enemy plane of the war, setting a record for aerial combat never equaled: 26 victories in 7 months. It made him the American ace of aces.

A year earlier, his mother had written, "fly slowly and close to the ground"; but it was advice that Eddie Rickenbacker—like many of his fellow Americans—has never been able to take. His calculating courage, ingenuity and drive are typical of our greatest asset.

Which is not simply factories, farms, or gold—but millions of a particular kind of people called Americans. And it is these people—people like yourself—who stand behind what is probably the world's finest investment: U. S. Series E Savings Bonds.

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BOOK REVIEW

The Golden Honeycomb
By VINCENT CRONIN

According to Diodorus, the Sicilian historian, Daedalus, prototype of all artists, fashioned a golden honeycomb as a thanksgiving offering to Aphrodite for his escape from the wrath of Minos, King of Crete.

Mr. Cronin's search for the truth of this legend led him to all those parts of Sicily which have enchanted men since Daedus first set footh there. He observed its tombs and temples, its fruitful valleys and teeming piazzas and describes them with the freshness of love and understanding knowledge. In the end the mystery of the golden honeycomb is persuasively if tentatively solved.

Dutton $3.75

Trend of Events

(*Continued from page* 68)

state and local authorities to increase traditional public services. In fact, the steady increase in the total of such expenditures is becoming a more and more important element in the growth of our economy.

While this estimate of economic growth over the next decade is necessarily not precise but merely approximate, it should serve as a guidepost to businessmen who are planning for the future. Our most alert business leaders realize that it is no longer sufficient to plan for merely a year or two ahead. An increasing number are setting their sights on 1960 and 1965.

PROBLEMS IN NEW FINANCING... Though the credit standing of our leading corporations has never been higher in their history, most of them still find it difficult to secure new funds for expansion through the sale of common stock.

Under present conditions and under those which have been prevailing for a very considerable period, most corporations find it cheaper to finance through bonds. Mr. Fairless, head of the U. S. Steel Corporation recently gave a good example. He cited the fact that last year in order to obtain new funds through the sale of stock, the company would have had to pay at the rate of a 6% dividend which was the yield of the stock at the time new financing was contemplated. This compared with a 2.5% rate on bonds. Obviously, it was cheaper for the company to issue bonds than stock and, as a matter of fact, it did so at an average rate somewhat under 2.5%.

It must be understood that in considering the factors involved in new financing via the common stock route, management must pay serious attention to the cost of dividends over an indefinite period. If the dividend rate is to be continued at a high level, there must be reasonable assurance that the earnings will be proportionate. However, under existing tax conditions which are quite severe and, particularly, because the need for capital is likely to outrun the rate of earnings as long as companies expand their facilities on a large scale, they must find the cheapest route available for new financing.

That depreciation, depletion a[nd] amortization write-offs are n[ot] sufficient to generate the intern[al] funds required is proved by th[e] fact that the steel industry, f[or] example, in the past ten years h[as] had to raise more than a third [of] a billion dollars in new capital i[n] excess of these write-offs. The a[n]swer, of course, is that as long a[s] corporations cannot receive th[e] full benefit of their gross ear[n]ings, as translated into net, com[]mon stock financing will remai[n] difficult. —EN[D]

As I See It!

(*Continued from page* 69)

even ten years after they wer[e] "liberated" by the Red armie[s]. The present improving position [of] West Europe and its population[s] which are benefiting from a stead[y] rise in living conditions, offers [a] striking contrast and shows th[e] superiority of a flexible econom[y] to that of the highly centralize[d] Soviet system.

It is against the background o[f] this enormous contrast in livin[g] conditions that the appaling fail[]ure of the Soviet economic syste[m] to work, except as a military ma[]chine, must be viewed. It is the ol[d] question of whether an economi[c] system can produce both butte[r] and guns, or guns alone. No on[e] can say that the Soviet system ha[s] been able to produce the butter though admittedly, it has the guns.

It can be seen that from almos[t] any standpoint the people behin[d] the Iron Curtain have been curse[d] with a highly inefficient economi[c] system which has brought goo[d] to none but that comparativel[y] small segment of the populatio[n] which comprise the bureaucracie[s] and the managerial classes.

Despite the absolute failure o[f] the Soviet system, Soviet propa[]ganda still manages to befuddl[e] the minds of the poverty-stricke[n] millions in Asia and Africa wh[o] have not been able to see the gri[m] realities behind the smooth fa[]cade. On our part, it must be ad[]mitted, we have made a miserabl[e] failure in bringing this trut[h] home to the uncommitted world. This is a failure which is entirel[y] inexcusable, considering the vas[t] sums which we have spent in or[]der to acquaint the more back[]ward portions of the world wit[h] the obvious and genuine advan[]tages to the individual under [a] democratic economic system.—EN[D]

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	Price	*Date Purch.*	*Cost*	*Current Value*
100 Armco Steel	41	4/14/54	$ 4,100.00	$ 7,750.00
100 Boeing Airplane	46	12/4/53	4,600.00	8,075.00
100 Boeing Airplane	Free — due to split			8,075.00
100 Boeing Airplane	40	5/4/54	4,000.00	8,075.00
100 Bullard	43	12/9/54	4,300.00	4,050.00
50 C.R.I. & P.R.R.	72¼	7/14/54	3,612.50	4,625.00
100 Combustion Eng.	60	12/9/54	6,000.00	7,875.00
100 General Dynamics	43	4/15/54	4,300.00	8,000.00
100 General Dynamics	Free — due to split			8,000.00
200 Intl. Tel. & Tel.	15¼	2/17/54	3,050.00	5,075.00
			$33,962.50	$69,600.00

Do you think I could, with your help, build up investments to total $100,000 in the next 3 years? This is my aim. It's a lot of money and feel it requires your personal service. The cost is little compared to the money involved.

This is my chance to get in big money and the only experience I have is what you have furnished me. *Look what happens, I have real confidence in your organization and believe I can trust your judgment. I want protection on what I built up and see it grow further. There's my story." (Signed) Mr. E. P., Albany, N. Y.*

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BOOK REVIEW

The Fall of a Titan

By IGOR GOUZENKO

The Fall of a Titan is a novel of the tragedy and redemption of a great man who wrought evil while seeking good.

The titan of the title is Mikhail Gorin—a world-famous writer resembling Maxim Gorki—a humanist whose writings inspired the Revolution. When he falls silent before the evil he has helped bring about, the NKVD assigns to Feodor Novikov the mission of bringing Gorin back to the fold—or arranging his secret destruction.

The struggle between these two—the old revolutionary and the new Soviet man—is played out before the backdrop of the middle thirties when Stalin (who appears in two unforgettable scenes) was consolidating his power. But while the novel is, in Clifton Fadiman's words, "an insider's demonstration of the absolute corruption of the Soviet hierarchy," its setting is less important than its engrossing story; and its universal theme provides a compelling insight into human capacity for good and evil.

Norton $4.50

Petroleum and the Middle East

In any overall plan for the security of the free world, the assurance of adequate supplies of petroleum is one of the first essentials. Petroleum in terms of its products serves many purposes. Chemical science and engineering have made such progress in breaking down crude oil into basic constituents that an enormous variety of essential substances now are derived from it. The industrialized West may even be said to represent an oil culture. Petroleum in one form or another has come to exceed the value of any other commodity in commerce. Its principal contemporary importance lies in the fact that it is a basic prerequisite to mass movement. To a certain extent this is due to a number of synthetic derivatives, notably rubber. It is most important, however, in terms of fuels and lubricants. Thus, while it is vital to the activities of a time of peace, it is even more essential to the conduct of war. Atomic forces in time may partially supersede those now derived from petroleum, but in the foreseeable future oil is power. Any optimistic outlook for the free world rests on the availability to the nations of the North Atlantic Treaty Organization of adequate supplies of petroleum at all times and under any circumstances.

The factor which aggravates oil-supply problems is the very uneven distribution of known petroleum deposits in the earth's crust. Oil surveys have not been completed to an extent that would justify definitive conclusions as to the existence, size, or accessibility of deposits in many parts of the globe. Apparently oil may occur wherever there are deep sedimentary rock strata. Even so, it is probable that oil deposits of commercial value occupy relatively small areas.

It is the greatest of good fortune that more than one-third of the world's oil resources, according to late estimates, lie within the Western Hemisphere. Of these the United States possesses more than half—some 29 billion barrels of recoverable oil. To these reserves can be added those of Canada, amounting to some 2 billion barrels. With slightly more than one-fourth of the proved oil reserves of the world and a much smaller proportion of what usually are estimated to be the ultimate potential global reserves, the United States in time of comparative peace consumes approximately two-thirds of all the oil used in the world.

The whole of Latin America, including Mexico, is estimated to possess about two-fifths as much oil as the United States plus Canada. Ordinarily the bulk of Latin American production flows to the United States. Whatever importance this may represent in time of peace would be many times increased in the event of a major war. The point especially to be noted in this connection is that, except for certain specialty products in relatively small quantities from American refineries, the petroleum of the Western Hemisphere is not available for the supply of the growing demands of Western Europe.

The problem of oil supply to the free nations of Europe would be much less acute but for the fact that the area comprised by these states does not rank high in terms of oil production. Since the close of World War II Europe, outside of Soviet-controlled territory, has never been able to supply from its own crude oil and liquid hydrocarbon sources more than 20 percent of its requirements, and the gap between indigenous oil production and current demands has been constantly widening. This means that, in spite of stepped-up synthetic production, Western Europe has had to import substantially all of the oil and oil products required for normal economic life plus a modest degree of rearmament.

The relative unavailability of American oil for the needs of Western Europe inevitably has placed the burden of supply on the Middle East. Transportation and price considerations also have favored European dependence on Persian Gulf oil, whether transported to the Mediterranean by pipeline or by tanker. Importation from the Middle East, particularly after the closing down of the great Abadan refinery late in 1951, was in terms of crude oil, for the most part. This necessitated a vast refinery building program, involving new plants in Europe. This has tended, naturally, almost every sector of Western-ly, to increase the interdependence of Europe and the Middle East producing areas. It is not too much to say that, since the strength of the Western Euro-

pean countries is essential to any plan of the free world defense and since the strength depends in a large measure on adequate supplies of petroleum products, the Middle East is a prime factor in free world security.

Taken as a whole, this area possesses more than half of the known oil reserves of the world, amounting in 1953 to about 62 billion barrels. Here all of the circumstances which control the recovery of oil in significant quantities have combined to form phenomenally rich fields. Serious obstacles to production exist in the area, nevertheless. Those created by extensive deserts, great heat, rugged terrain, and long distances have been largely overcome. The greater hazard is found in the lack of enthusiasm of the proprietary states for western methods of exploitation and the consequent growth of sentiment for the nationalization of such resources and in the thinly veiled designs of the Soviet Union on the oil-producing countries.

—Joint Committee on the Economic Report

BOOK REVIEWS

The Royal Box

By FRANCIS PARKINSON KEYES

Lady Laura Whitford, the high born but impoverished widow of a nobleman made no secret of her deep-rooted dislike for Americans, though she never explained the reasons for it. She openly favored the suit of Jacques de Valcourt, a brilliant and attractive French cavalry officer, for her lovely but browbeaten daughter, Althea; anl just as openly Lady Laura opposed the suit of Hilary Thorpe, the far less dashing Vermonter who was the Counsellor of the American Embassy and who was greatly beloved by Althea herself. Therefore, Hilary was doubly grateful—and doubly astonished—because Lady Laura came to his rescue when he suddenly found himself faced by an unexpected diplomatic dilemma.

Baldwin Castle, the newly appointed Ambassador to the oil-rich country of Aristan, and his bride, Cornelia, had appeared in London, on their way to the Middle East, and, in the absence of his chief, the duty of entertaining them fell on Hilary. Cornelia, who was proving "difficult" in more ways than one, announced that there was only one form of entertainment which would appeal to her: a theatre party at the current hit, *Gold of Pleasure*, starring Janice Lester who, after twenty years on the stage, was more than ever the toast of two continents. The house had been sold out for weeks and Hilary, at his wits' end, telephoned Althea to say that their dancing date was off, because he must find some way of placating Mrs. Castle.

Hilary assembled his guests at the charming maisonette, originally a mews, where the income derived from his Vermont talc mines and nursery gardens permitted him to live in luxury. The Castles, the Whitfords, and Jacques de Valcourt were to join his box party. He had also invited the American writer, Joe Racina, whose early friendship with Janice had enabled him to get house seats for the play, and Joe's wife, Judith. There were also the Aristanian Ambassador to the Court of St. James, Jevad Ahani, who, sometime before, had secured a small box for *Gold of Pleasure*, who had learned through the grapevine of Castle's premature arrival, and who had expressed an urgent wish to see him at once on matters of great international importance.

The evening began most auspiciously. A true diplomat, Hilary respected the Mohammedan injunction against alcohol, and refreshments, including tea, were served in a far more lavish manner than customary at a cocktail party. A still more elaborate spread took place in the Royal Retiring Room which adjoined the Royal Box when, during the first entrance, the party was augmented by additional guests. Ahani's wife and mother-in-law emerged from their seclusion at the rear of his box, and, at Cornelia's invitation, the radiant star, Janice Yester, came from backstage, accompanied by Hugo Alban, her husband-manager, and Evan Neville, the distant cousin who played the juvenile lead in *Gold of Pleasure*. Inconspicuously, Castle made two important appointments: one to visit Janice in her dressing room during the next entr'acte; and one to go on with Ahani to the Aristanian Embassy for a conference after the theatre, instead of going directly to the Savoy for supper with the others.

The evening proceeded as auspiciously as it had begun. Yet, by midnight, one member of the brilliant company was dead, under mysterious and highly suspicious circumstances, and all the others were held for questioning by Detective Inspector Kirtland of Scotland Yard, in a luxurious suite facing the River Thames—of the Hotel Savoy. By morning, the Inspector had discovered the murderer and goaded the perpetrator of the crime to a confession of guilt.

Although the action of the story is confined to twenty-four hours, the revelations of the suspects under questioning expand it to as many years; and, in the course of this time, we see what may happen to a great actress on her way to fame, a great lady on her way to destitution, a great soldier on his way to glory—and the far less dramatic parts played by the humble husband whose devotion to his wife is his most redeeming characteristic, and by the frightened girl whose confidence in the man of her choice rouses her to valiant defiance.

Messner $3.50

The Federal Tax System of the United States

By JOSEPH P. CROCKETT

How can sixty million returns be processed each year?

How does an individual tax return reflect the la it is designed to serve?

What legal provisions are behind the operations of the tax administrator?

What appeal privileges and procedures are available to the taxpayer?

Students, foreign o–cials, and businessmen unacquainted with the Federal tax system are provided in this book with the first concise nontechnical summary of the information necessary for an understanding of both the system and its operation.

Nine pages of forms, a chart of the organization of the Internal Revenue Service, and a map of the districts and regions of the service are reproduced, giving the reader a point of reference for each problem of day-to-day tax administration in the context where these problems inevitably arise.

The Federal Tax System of the United States fills the need for a reference volume on taxation for persons dealing in any way with the American economy, and for schools, libraries, and trade organizations for whom the complex, specialized, and voluminous material heretofore depended upon was unavailable. It is the one-volume encyclopedia of Federal taxation.

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To begin, research men of National Steel looked at farm buildings in this new light. They saw them as tools, rather than buildings. Tools versatile enough to do many jobs, take much of the work out of farming, let livestock do much of the work themselves.

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Further study of the working tool concept resulted in the Quonset hay drying and self-feeding barn.

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